

**INVESTMENT CONCLUSIONS**

We reiterate outperform ratings on Philip Morris, RJR, and UST. With Dr. Kessler, Dr. Koop, and Congressman Waxman all now on board the settlement, combined with our view that the lookback penalties are essentially a non-issue, with the industry able to avoid the excess penalties simply by taking excess pricing, Clinton's speech today sharply increases odds that this deal will get done next year. As we have said before, we cannot see anti-tobacco members of Congress and the Administration walking away from \$400 billion that can be used for national health care, and industry concessions that include ceding jurisdiction to the FDA; elimination of Marlboro Man and other brand equities; bans on billboards, vending machines, sponsorships, in-store advertising, and self-service displays; and agreements to pay billions for smoking cessation, tobacco education and awareness, and cancer research. We expect stocks to rally in the days following the speech, given the high likelihood that the Republican leadership finds political cover to now endorse this deal, and given strong odds of favorable resolution on the FDA jurisdiction question in the 4th Circuit and Texas Medicaid case in the 5th Circuit. The industry has also asked the Minnesota district court to dismiss the state of Minnesota's direct action against the industry on precedent established by the Minnesota Supreme Court in dismissing Blue Cross and Blue Shield's claims against the industry. If the judge denies this motion, as we expect, the industry can take the issue to the Minnesota Supreme Court. Our one worry is that Administration betrays the partnership with the industry that it staked out today, and instead embarks on a course to punish the industry, by either doubling the payments, or rejects the deal's liability protections for the industry. This would cause the deal to effectively die, with downsides at Philip Morris of \$40, RJR Nabisco \$29, and UST, which doesn't really move with odds of a deal, \$30.

**ADDITIONAL DETAILS**

- Deal moves forward, as everyone gets under the tent.** President Clinton avoided specifics in his speech today and offered a general embrace of the principles found in the tobacco settlement negotiated between the attorneys general and the tobacco industry. Clinton made clear, however, that the June settlement needs fundamental changes in areas that we have talked of at length -- FDA control over nicotine, stiffer penalties (including non-tax deductibility of penalties) if youth smoking rates fail to drop, and the release of all documents. What was not in the Clinton speech was a definitive price tag, or a requirement that *payments* -- as opposed to *penalties* -- be sharply increased from the terms found in the June 20 settlement (\$368 billion payments per year, plus a potential \$42 billion in lookback penalties if youth smoking objectives are not achieved). By outlining general principles, but not specific provisions of a deal, Clinton followed a political strategy that has worked well for him in the past. After legislation has been enacted, Clinton can claim he got what he wanted, and take credit for any shape deal. Clinton also likely will avoid the criticism heaped on the industry and the attorneys general when it "dumped" the deal on Congress' lap (Majority Whip Don Nickles) in telling Congress how to do its job. Clinton seems too savvy a political operator to turn the industry into an adversary at this stage in the legislative process. Clinton will likely keep the settlement on slow simmer through the end of the year, and then bring it up to a boil with detailed recommendations -- idically hammered out between the industry, Administration, and key members of Congress -- by early next year, with the goal of getting comprehensive legislation out by March or April in time for election campaigning.
- Major difference between increased penalties and increased payments.** Our sources indicate that settlement talks between the industry and the Administration broke down last week after the Administration insisted that caps on the lookback provision be lifted, that fines be non-tax deductible, and that the 75% abatement provision be tightened. According to one source in the industry, this would have effectively raised the settlement price tag from \$17 billion per year (\$15 billion base payment, plus \$2 billion per year in maximum lookback penalties, in real dollars) to \$23 billion per year (\$15 billion base payment, plus the equivalent of \$8 billion in lookback penalties *that only kick in if youth smoking targets are not met*). Put differently, the June 20 settlement translates to an effective price hike of \$.70/pack in 1997 dollars -- \$.62 in base payments, plus \$.08/pack in lookback penalties which don't kick in for five or even ten years. Clinton's speech asked for significantly higher penalties if youth smoking rates don't fall. This indicates to us that Clinton likely did not have problems with the base payments, but wants to make sure the industry has strong incentives -- \$.88/pack, or \$21 billion per year in new penalties --- that automatically kick in if youth smoking rates fail to decline after the industry implements marketing and retail access initiatives. The deal turned down by the industry last week would have effectively raised the cost of settlement from \$17 billion per year shown above (\$.62/pack plus \$.08/pack lookback pricing), to \$23 billion per year, including \$8 billion in lookback penalties (\$.62/pack base payment, plus \$.33/pack in lookback penalties).

<b>Comparing Settlements</b>	<b>Attorney General Settlement</b>		<b>Implied Clinton Proposal</b>	
<b>Year 10</b>				
Base payments	\$15.0	\$.62	\$15.0	\$.62
Lookback penalties	\$2.0	.08	\$21.0	.88
Total payments	\$17.0	\$.70	\$36.0	\$1.50
Memo: Packs sold (bill.)	24.0		24.0	

3. **Industry can take excess pricing to depress youth smoking -- and avoid the lookback fines.** What is quite bizarre about the \$1.50/pack pricing debate that has depressed valuations over the past few days is that the industry can easily achieve the youth lookback provisions and avoid the gargantuan penalties by simply raising prices on its own by an amount sufficient to reduce teen smoking by 30% in year 5, by 50% in year 7, and 60% in year 10. Currently, 18% of 8th, 10th, and 12th graders smoke; to avoid any penalty, youth smoking would have to fall to 7.2% within 10 years. This lookback incentive, endorsed today by President Clinton, is tantamount to giving the industry license to raise prices by \$.75/pack or more if it finds itself in a position where it can't get youth smoking rates down to the targeted levels via marketing and access controls. To avoid paying what would amount to a \$21 billion, or \$.88/pack fine, to the government, the industry could, as a last resort, simply jack up prices by an amount needed to depress consumption by the required amount, and in so doing, avoid the fines.

This is not so onerous as one might expect, and from a P&L standpoint, could be a godsend: Currently, the industry recruits 3,000 new smokers each day, which means that 1.1 million smokers enter the industry's customer base each year. The industry's current customer base numbers 50 million. About 1.6 million leave the industry's customer base each year, resulting in an intrinsic loss of 500,000 customers each year, for a net growth rate of -1%. If the industry succeeds in reducing the number of new smokers by 60% -- i.e., can avoid gaining 700,000 new smokers each year -- the intrinsic growth rate of the industry would deteriorate to a net outflow of 1.2 million smokers per year, doubling the industry's natural rate of decline to -2.4% (this would increase over time as the existing customer base shrinks, and as existing smokers quit in reaction to sharp increases in cigarette prices). A (1.5) point deterioration in domestic tobacco volume is worth about \$(.02)/share to MO earnings, building cumulatively, and about \$(.05)/share to RJR earnings, building cumulatively.

A second way to look at this is as follows: With an elasticity of demand of 0.4, a \$1.50/pack price hike -- \$.88 taken to depress youth consumption to avoid paying \$21 billion in penalties -- would force prices up by 90% (\$3.40 vs. \$1.85), and could cause consumption to fall by 35% (we believe the actual consumption decline would be less, since smokers would trade down, buy cigarettes on the expanding contraband market, and seek out retailers willing to sell cigarettes at cost to build store traffic). A 35% drop in consumption -- this over 10 years -- would be worth approximately \$1.6 in profits, or \$.40/share to Philip Morris earnings, and roughly \$500 million, or \$.85/share to RJR earnings. But the profits from the \$.88/pack in excess pricing for those 65% of smokers who remain could overwhelm the consumption hit: PM USA profits could jump some \$6 billion (vs. \$1.4 billion consumption hit); RJR profits could soar \$3 billion (vs. \$600 million consumption hit). The result would be net earnings gains of \$1/share at Philip Morris, and \$4/share at RJR.

*We need to write penalties is sufficient to prevent this*

4. **Contraband market remains major uncertainty. Ask Michigan what happens when excise taxes triple.** When we ask wholesalers what is the single biggest reason youth smoking rates may not go down, even if all of these measures are implemented, they universally point to the explosion in contraband sales that they are already seeing, which most attribute to sharp increases in state excise taxes over the past few years (+8% compounded since 1994). We expect Congress to evaluate this issue carefully before embarking on any course of action, given what happened in Canada during the mid-1990s when cigarette prices doubled as excise taxes quadrupled (35% of market went contraband), and closer to home, what has happened in Michigan since 1994 as excise taxes have more than tripled (30% of market reported to be contraband sales).

	North Carolina			Michigan			Combined volumes
	Volume (MM pks)	Excise tax per pack	Price per pack	Volume (MM pks)	Excise tax per pack	Price per pack	
1993							
1994	763.7	\$.05	\$1.35	1,059.2	\$.25	\$1.63	1,822.9
1995	873.3	\$.05	\$1.42	786.2	\$.75	\$2.24	1,659.5
1996	924.5	\$.05	\$1.45	788.8	\$.95	\$2.29	1,713.3
% Change	+21%			-26%			-6%

*Combined volumes were down only -2.9% over two years, when adjusted for gains in Kentucky (+9% in two years)*

In our many discussions with Administration officials over the past few months, no one has ever asked us what happens to contraband sales if cigarette prices double? In Michigan, taxable removals have plummeted by 26% since 1994, as excise taxes increased from \$.25/pack to \$.95/pack (+\$.70/pack). This has caused average prices in Michigan to increase from \$1.63 to \$2.29 (increase only \$.66/pack), as retailers increasingly squeeze margins to attract price-sensitive smokers looking for the lowest possible price. In North Carolina, where excise taxes are just \$.05/pack, and cigarettes cost \$1.45/pack, taxable removals have increased by +21% since 1994 -- coincident with the decline in Michigan, and strongly suggesting that cigarettes are being purchased in North Carolina and then shipped to Michigan, where they are distributed via newsstands, local stores, and alternative outlets such as bars and clubs. With the combination of up to \$1.50/pack in excess pricing, and new tougher retail access rules for youths, we would expect the national contraband market to jump from its current estimated 5% nationwide to 20-25% within 5 years. This, of course, could negate all of the efforts to reduce youth smoking brought about by the tobacco settlement, as teens increasingly buy their cigarettes outside traditional outlets.

# TOBACCO INDUSTRY

## Attorney General Settlement Payments

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	Total
<b>Attorney general funds:</b>																											
State funds	4,000	1,600	1,800	2,000	2,600	2,600	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	78,600
Federal recovery = 60%	6,000	2,400	2,700	3,000	3,900	3,900	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	117,900
<b>Total AG funds</b>	<b>10,000</b>	<b>4,000</b>	<b>4,500</b>	<b>5,000</b>	<b>6,500</b>	<b>6,500</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>196,500</b>
<b>Individual awards and settlements:</b>																											
Nominal amount (1/3 of base payments)	-	2,000	2,500	3,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	96,000
Anticipated unused (earmarked for public health trust)	-	(2,000)	(2,200)	(2,800)	(3,000)	(3,000)	(2,500)	(2,500)	(2,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,500)
<b>Net individual awards</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>700</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>75,500</b>
<b>Tobacco cessation</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>35,000</b>
<b>Public health funds (HHS):</b>																											
Public education campaign	-	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	12,500
HHS - Reduction in tobacco usage	-	125	125	125	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	5,325
FDA - Enforcement of Act	-	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	7,500
State and local control efforts (ASSIST)	-	75	75	100	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	3,000
Research for smoking cessation	-	-	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	2,400
Compensation for lost sponsorships	-	-	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	750
Undefined public health funds	-	-	25	100	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	175	250	5,025
<b>Public health funds</b>	<b>-</b>	<b>1,000</b>	<b>1,200</b>	<b>1,300</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>36,500</b>
<b>Resident's Public Health Trust (\$25 billion)</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>	<b>3,500</b>	<b>4,000</b>	<b>5,000</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,000</b>
<b>TOTAL PAYMENTS</b>	<b>10,000</b>	<b>8,500</b>	<b>9,500</b>	<b>11,500</b>	<b>14,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>368,500</b>
<b>Less: Maximum lookback penalties *</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>42,000</b>
<b>TOTAL PAYMENTS AND PENALTIES</b>	<b>10,000</b>	<b>8,500</b>	<b>9,500</b>	<b>11,500</b>	<b>14,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>410,500</b>
<b>-- Per pack, in 1997 dollars</b>	<b>\$ -</b>	<b>\$ 0.35</b>	<b>\$ 0.40</b>	<b>\$ 0.48</b>	<b>\$ 0.58</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>	<b>\$ 0.70</b>
<b>Industry cap (lookback fines fall outside cap)</b>	<b>10,000</b>	<b>9,000</b>	<b>10,125</b>	<b>12,375</b>	<b>15,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>392,500</b>
<b>Accumulation of cap:</b>																											
Total payments	10,000	8,500	9,500	11,500	14,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	368,500
Less: 80% credit on individual awards	-	2,000	2,500	3,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	96,000
<b>Maximum liability before awards</b>	<b>10,000</b>	<b>6,500</b>	<b>7,000</b>	<b>8,000</b>	<b>10,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>272,500</b>
Maximum awards	-	2,500	3,125	4,375	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	120,000
<b>Total cap</b>	<b>10,000</b>	<b>9,000</b>	<b>10,125</b>	<b>12,375</b>	<b>15,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>392,500</b>

Lookback penalty: Youth smoking prevalence, as measured by University of Michigan annual survey of 8th, 10th, and 12th graders) 30% reduction by Year 5, 50% by Year 7, 60% by year 10. Penalty - \$80M per pp, subject to \$2.0 billion cap)

# Pentagon seeks a share of the tobacco-deal take

## Smoking-ills tab is \$584 million a year

By Samuel Goldreich  
THE WASHINGTON TIMES

### A1 TOBACCO

From page A1

The Pentagon wants a \$14.6 billion cut of any nationwide tobacco settlement to pay for treating soldiers and military retirees suffering from smoking-related illnesses.

In a letter sent to the White House last month, Defense Department General Counsel Judith Miller said the Pentagon wants to recover the \$584 million it spends each year as a result of tobacco-induced death, illness and disease.

"This is not only a substantial expenditure, it attests to a significant impact upon precious health care resources," she wrote.

But the amount is even higher, according to the Defense Department's inspector general, who reported in December that military health care and lost productivity costs due to smoking were \$930 million for fiscal 1995.

The Pentagon request, reported yesterday by the trade publication Defense Week, marks the first time that a federal agency has sought a piece of the action as Congress and President Clinton consider how to write a national tobacco control bill.

The letter was prompted by the proposed settlement of health liability claims signed in June by the

see TOBACCO, page A12

nation's five biggest tobacco manufacturers and 40 state attorneys general who have sued to recover Medicaid costs associated with smoking-related diseases.

The industry agreed to pay at least \$368.5 billion over 25 years and \$15 billion annually thereafter, in return for an end to the state lawsuits, a ban on punitive damages for private citizens and immunity from class-action claims. If the Pentagon prevails in winning a cut in that deal, it would receive \$14.6 billion over the next 25 years.

But compensating federal agencies clearly is not a White House priority in working with Congress on tobacco legislation.

"The [Pentagon] letter and the issues it raises will go into the mix of policy issues, but it is not an issue the president has established as a fundamental issue he is trying to achieve," said Barry Toiv, a White House spokesman.

Mr. Clinton said last month that his main goal is to take steps to curb underage smoking, including raising cigarette prices by \$1.50 per pack. He also wants to pre-

serve Food and Drug Administration power to regulate nicotine as a drug; ban tobacco marketing efforts that critics say target children; raise money for research of smoking and health; and compensate tobacco farmers whose crops would be in less demand as smoking decreases.

The Pentagon request is largely a formality to register the Defense Department's goals in any national settlement. But it follows several steps military officials have taken to curb smoking among the ranks, including a ban on smoking in all Defense Department workplaces.

"Our past military culture condoned and even encouraged this harmful behavior through subsidized tobacco sales, free cigarette packs in field rations, and the 'smoke 'em if you got 'em' philosophy," Dr. Stephen Joseph, assistant secretary of defense for health affairs, wrote in a recent federal health journal.

The department's inspector general reported that there is a contradiction between efforts to reduce smoking and the availability of cut-rate cigarettes in military stores.

Smoking rates in the military have declined steadily, from 51 percent in 1980 to 33 percent in 1995. Pentagon officials hope to

lower that rate to 20 percent by 2000 with a ban on smoking in defense workplaces, an end to discount coupons for tobacco products and less marketing of cigarettes in military base retail outlets.

The Pentagon also wants to expand smoking-cessation programs and would want a piece of a tobacco settlement to help pay the costs, a Defense Department spokesman said.

Under the proposed agreement, industry representatives say such public health goals should be met by a \$600 million annual fund that would be administered by the federal government.

Several senators already have said that no national tobacco deal will pass without compensating federal agencies for their costs of treating smoking-related diseases.

Sen. Edward M. Kennedy, Massachusetts Democrat, said last month that the annual amount the industry pays after the first 25 years should be doubled to \$30 billion. An aide said yesterday that Mr. Kennedy is working on a bill to pay back the Medicare program and the Department of Veterans Affairs for the estimated \$22 billion they spend together each year on patients suffering from smoking-related diseases.

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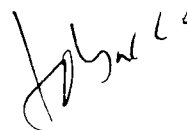
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The Washington Times  
WEDNESDAY OCTOBER 15, 1997

# ENACT

## Effective National Action to Control Tobacco

-- A Public Health Coalition --



American Academy of Family Physicians  
American Academy of Pediatrics  
American Cancer Society  
American College of Chest Physicians  
American College of Preventive Medicine  
American Heart Association

American Medical Association  
Association of State & Territorial  
Health Officials  
Campaign for Tobacco-Free Kids  
National Association of County  
and City Health Officials  
Partnership for Prevention

**FOR IMMEDIATE RELEASE**  
**October 1, 1997**

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### **-- Public Health Groups Form Powerful Coalition to Enact Comprehensive Tobacco Control Legislation and Release Poll Showing Broad Public Support for National Efforts to Curb Smoking --**

**Washington, D.C. (October 1, 1997)** -- Eleven of the nation's most prestigious public health organizations have formed the coalition ENACT (Effective National Action to Control Tobacco) and have pledged to work with the Congress and the Administration to help pass comprehensive, sustainable, effective, well-funded, national tobacco control legislation.

"The commitment made by all eleven organizations to come together to help pass legislation as significant as this is unprecedented," said John R. Seffrin, Ph.D., chief executive officer of the American Cancer Society. "By sharing resources we can educate the public about the need for national tobacco control policy. By joining forces we can activate millions of public health advocates across the country. By uniting we can overcome any obstacle we face to take advantage of this historic opportunity."

ENACT also released a letter it sent to members of Congress pledging to work together to help pass strong bipartisan legislation.

The group also released new national polling data that show strong public support for a comprehensive plan to control tobacco use. Seventy-one percent of those polled during the week following President Clinton's tobacco policy announcement think it is important that the Congress address a national tobacco control policy in the next six months. The survey also

- more -

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Washington, DC 20035  
Phone: (202) 293-1405

found that 87 percent of the public is concerned about tobacco use by kids as a public health issue.

An advertisement announcing the formation of ENACT and its pledge to help pass comprehensive legislation appears in *The Washington Post* and *The Washington Times* today.

“The American Academy of Family Physicians, American Academy of Pediatrics, American Cancer Society, American College of Chest Physicians, American College of Preventive Medicine, American Heart Association, American Medical Association, Association of State and Territorial Health Officials, Campaign for Tobacco-Free Kids, National Association of County and City Health Officials, and Partnership for Prevention are standing together here today to say to the American people that we will work with Congress, the Clinton Administration and anyone else who will join us in the fight to enact national tobacco control legislation,” said Dr. Randolph Smoak, Jr., vice chair of the American Medical Association’s Board of Trustees.

Building on decades of work by the public health community, the 1996 assertion of jurisdiction over tobacco by the U.S. Food and Drug Administration, the principles in the recent Koop-Kessler Report, the June 20th agreement negotiated between the state Attorneys General and the tobacco industry, and President Clinton’s call for bipartisan legislation, ENACT members released a consensus statement that outlines the important elements for effective legislation. These elements include:

- Full FDA authority over all tobacco products and nicotine delivery systems.
- Tough penalties against the industry if tobacco use among children does not drop substantially.
- Significant price increases on the cost of tobacco products.
- No marketing to children.
- Broad disclosure of industry documents.
- Provisions to ensure that federal law does not preempt more restrictive state and local laws.
- Support for important public health initiatives.
- Funding for implementation of international tobacco control initiatives.
- Protections from secondhand smoke.
- Help for tobacco farmers and their communities.

In addition to documenting concern over youth tobacco use and the need for Congress to address national tobacco control policy in the next six months, the poll also revealed that:

- By a margin of two to one, the public favors President Clinton’s approach to building on the proposed tobacco settlement agreement to enact a national tobacco policy. Fifty-nine percent of those polled favored the approach, with 29 percent opposed and 12 percent undecided.
- A majority also supports many of the more specific provisions of the president’s plan for a national tobacco policy, including: full authority for FDA with no special restrictions (60% v. 28% opposed); a national minimum tobacco purchasing age with required photo

identification checks to reduce youth access to tobacco (85% v. 10% opposed); stiff industry penalties if youth smoking does not decline (57% v. 34% opposed); a cigarette price increase of as much as \$1.50/pack if youth smoking does not decline (59% v. 33% opposed); restricting smoking in public places (78% v. 16% opposed); and funding a national tobacco use prevention/education program (70% v. 20% opposed).

- Seventy-three percent of respondents agreed that a national tobacco policy is important to help parents discourage kids from smoking. Two-thirds (67%) believe that a national tobacco policy is likely to reduce youth tobacco use, and almost one-half (49%) believe a national tobacco policy is likely to reduce tobacco use by adults.

Findings from the poll, commissioned by the CAMPAIGN FOR TOBACCO-FREE KIDS, were released at today's ENACT news conference.

"It's clear that there is overwhelming support for a comprehensive plan to protect both kids and adults from tobacco," said Dr. Ronald M. Davis, director of the Center for Health Promotion and Disease Prevention at the Henry Ford Health System in Detroit, which is a member of Partnership for Prevention. He also is a fellow of the American College of Preventive Medicine.

ENACT members said they thought Congress could pass legislation as early as the spring of 1998. Hearings on the issue are already taking place on Capitol Hill.

"We stand ready to work with the Congress and the American people to accomplish this important goal," said Dr. Michael C. Caldwell, Dutchess County (NY) health commissioner and a board member and tobacco committee chair of the National Association of County and City Health Officials.

###

*Note to editors: A full summary of poll findings is available.*

## MEMORANDUM

To: Sarah Bianchi  
Tom Freedman  
Jeanne Lambrew  
Mary Smith  
From: Kevin Brown  
Date: September 30, 1997  
Subject: Tobacco settlement part III-Senate hearing

Senate Labor and Human Resources Committee, DSOB 430, 10:00 a.m.

Senators in attendance: Jeffords (chair), DeWine, Harkin, Murray, Reed, Warner, Kennedy

### Witnesses:

1st Panel: Dr. Lewis Sullivan, former HHS Secretary (Bush Administration)  
Dr. Rosenthal, American Cancer Society  
2nd Panel: Christine Gregiore, Washington State AG (helped in negotiations)  
Stanley Chesney, lead attorney for Costano group

Main themes: \$1.50 price hike-gradual or immediate?

Concern over possible black market in tobacco products.

Where to send/what groups (gov./private) should get money from settlement.

### 1st Panel:

Dr. Sullivan indicated that funding would have to be increased for government agencies, especially the NIH as a result of the settlement. He also stated that attention should also be paid to private organizations and institutions that particularly serve minorities. He said that minorities are disproportionately affected by tobacco products. As a result, he suggested ten grants of \$10 million each to be awarded to four African American schools, two Native American schools and four Hispanic schools. He stressed that more research needs to be done on how to reverse the effects of tobacco use. He also recommended that HHS funding for smoking cessation be increased by four times.

Dr. Rosenthal focused on ten primary objectives that need to be met in the tobacco settlement and through legislation:

1. National education programs that are school based.
2. State and local enforcement efforts.
3. Reduced exposure to environmental tobacco smoke.
4. Cessation programs.
5. Counter advertising programs.
6. Biomedical research-national research programs.
7. State/local research programs.

8. Improved warning labels on tobacco products.
9. International tobacco control.
10. Increased tobacco product prices—dramatic increase and then connect to inflation index.

Rosenthal went on to say that the American Cancer Society supports a comprehensive plan to help rural communities adjust and to increase development as a result in any decline in tobacco production in those areas.

JEFFORDS: Sen. Jeffords questioned whether giving a large amount of money to these organizations was going to help. Dr. Sullivan indicated that there are many opportunities for use of this money by these organizations, especially private sector groups who desperately need the funding to continue their studies. Jeffords went on to ask how the two panelists saw the FDA's role. Sullivan indicated that it would be very difficult for the FDA to carry out its duties effectively without a tremendous expansion of agency financial resources. Rosenthal added that restraints must be lifted on FDA to allow for the elimination of any harmful products. Jeffords ended the panel by asking if they both supported the settlement. They indicated they supported the public health portions of the settlement.

MURRAY: Asked if an increase in prices on tobacco products would help. Dr. Sullivan indicated that any price increase should happen abruptly, as opposed to an gradual increase and emphasized that teenagers are very price sensitive. Rosenthal agreed that a sudden increase was needed. Murray asked if a black market would be possible. Both Sullivan and Rosenthal agreed that it would be possible, but it should not be a reason to refrain from a price increase. Murray also inquired about possible smoking cessation programs for adults. Both indicated that we must pursue this.

DEWINE: Commented on the harmful effects of second-hand smoke on children's health. Rosenthal said that the message must be gotten out to children—educate children and that will have an effect on the parents.

HARKIN: Mentioned biomedical research and the power that tobacco has, especially what we have not learned about yet. Sullivan indicated that behavioral research must be emphasized because behavioral problems primarily affect us today. Rosenthal emphasized the need for broad based research and more money in psycho-social research, which is currently not being funded.

WARNER: Was concerned with a previous comment that we were trying to change people's behavior and questioned if that is what we should do. Sullivan responded by indicating that it was the government's responsibility to educate the people. Warner also asked who was running the analysis as to whether we were headed towards prohibition.

KENNEDY: Asked what would be considered a dramatic increase in price and over what time period. Rosenthal indicated that \$2 a pack increase starting tomorrow would be adequate. Sullivan added, that the important thing was not to let something like the price increase hold up the debate and the action on the settlement. Kennedy noted that if the \$1.50 increase goes into

effect, the U.S. price will still be below most industrialized nations.

Panel 2:

AG Gregiore began by saying that legislation was important to insure that the provisions were reinforced by statute. Chesney indicated that this is the only opportunity that we have to develop national tobacco policy and to guarantee other goals that are in the settlement.

JEFFORDS: Asked if there was some point at which the parties could walk away from the settlement. He also added that the U.S. Senate did not usually operate that way and was not usually influenced by those who would be offended by legislation. Chesney responded that he didn't think that would happen and that there was nothing in the POTUS's 5 core principles that would influence that either. Jeffords also asked if \$2 pack increase over two years would blow the agreement. Chesney said that this would blow the deal and indicated that the economics of such a plan just do not make sense. Indicated that we have to factor in time for a change in culture to make this work. Gregiore responded by indicating her support for an immediate per pack increase. She is concerned over the possible black market and the penalty provision for companies.

Note: I had to leave the hearing at this time. Hearing was not over.

Bruce N. Reed  
07/10/97 01:50:01 PM

Record Type: Record

To: Thomas L. Freedman/OPD/EOP, Mary L. Smith/OPD/EOP  
cc: Elena Kagan/OPD/EOP, Jerold R. Mande/OSTP/EOP, Elizabeth Drye/OPD/EOP, Christopher C. Jennings/OPD/EOP  
Subject: Tobacco Bills

Thanks for the great memo on tobacco legislation. I was especially interested in the bills on farmers and on tax deductibility of advertising. Could you also take a more detailed look at Durbin's bill on performance stds and penalties (S828), Lautenberg's bill on warning labels (S527), Hansen's bill on youth ads (HR762), the tobacco state member bills from Ford, Baesler, and Charlie Rose, Oberstar's Medicaid bill, and Meehan's nicotine bill (1995). Thanks.

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SEN DUBON 224 2152  
SEN LAUTENBERG S. 527 224 4744  
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REP OBERSTAR HR 3779 104th 225 6211  
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REP MEEHAN HR 1853 104th 225 3411  
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HR 3779 IH  
104th CONGRESS  
2d Session

To amend title XIX of the Social Security Act to reward States for collecting Medicaid funds expended on tobacco-related illnesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

July 10, 1996

Mr. OBERSTAR (for himself, Mr. DURBIN, Mr. FRAZER, Mr. MEEHAN, Mr. MINGE, Mr. HANSEN, Mrs. MORELLA, Mr. REED, Mr. SERRANO, Mr. DELLUMS, and Ms. EDDIE BERNICE JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title XIX of the Social Security Act to reward States for collecting Medicaid funds expended on tobacco-related illnesses, and for other purposes.

[Italic->] Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, [<-Italic]

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Tobacco Medicaid Recovery Act of 1996'.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS- The Congress finds the following:

(1) Federal taxpayers pay for approximately \$20,000,000,000 each year in Federal health expenditures to treat tobacco-related illnesses, including expenditures incurred under the Medicare and Medicaid programs operated under titles XVIII and XIX of the Social Security Act, health care programs carried out by the Secretary of Veterans Affairs under chapter 17 of title 38, United States Code, and other Federal health care programs. These expenditures often contribute to an increase in the Federal budget deficit.

(2) According to the Centers for Disease Control and Prevention, tobacco-related illnesses cost the Medicaid program under title XIX of the Social Security Act \$5,100,000,000 each year.

(3) The efforts of several States that are attempting under Federal law, including in some cases, under the Federal anti-racketeering statutes, or under State law, to recover the health care costs incurred under the Medicaid program for the treatment of individuals with diseases attributable to the use of tobacco products from the manufacturers of such products, are to be commended.

(b) PURPOSE- The purpose of this Act is to reward States that successfully recover the Federal and State health care costs incurred under the Medicaid program for the treatment of individuals with diseases attributable to the use of tobacco products by providing increased funding for their Medicaid programs and to provide increased resources to the National Institutes of Health.

SEC. 3. INCENTIVE PAYMENTS FOR COLLECTION OF MEDICAID FUNDS EXPENDED ON TOBACCO-RELATED ILLNESSES.

(a) FINANCIAL REWARD FOR SUCCESSFUL RECOVERIES- Section 1903(d) of the Social Security Act (42 U.S.C. 1396b(d)) is amended by adding at the end the following new paragraph:

(7) (A) Notwithstanding any other provision of law, if a State recovers, by judgment in, or settlement of, any suit arising under

Federal or State law, amounts expended as medical assistance under the State plan for the treatment of individuals with diseases attributable to the use of tobacco products, from a manufacturer of tobacco products, the State shall notify the Secretary of the amount of such recovery. Upon receipt of such a notice, the Secretary shall determine the amount of Federal expenditures under this title that are attributable to the amounts recovered, based on the Federal medical assistance percentage, as defined in section 1905(b), for such State. The Secretary shall treat the amount so determined as an overpayment under this section, in accordance with paragraph (2) (A), and with respect to such amount shall do the following:

- (i) Provide that the State shall retain 1/3 of such amount, for the purpose of using such funds to meet the non-Federal share of expenditures under the State plan with respect to which payments may be made under this title.
  - (ii) Pay 1/3 of such amount to the Director of the National Institutes of Health, for the purpose of conducting disease research.
- (B) Any amount of new budget authority or outlays resulting from the provisions of this paragraph shall not be counted for any purpose under section 251 or 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.
- (C) For purposes of this paragraph--
- (i) the term 'manufacturer of tobacco products' has the meaning given such term by section 5702(d) of the Internal Revenue Code of 1986; and
  - (ii) the term 'tobacco products' has the meaning given such term by section 5702(c) of such Code.'
- (b) CONFORMING AMENDMENT- Section 1902(a) of such Act (42 U.S.C. 1396a(a)) is amended--
- (1) by striking 'and' at the end of paragraph (61);
  - (2) by striking the period at the end of paragraph (62) and inserting '; and'; and
  - (3) by inserting after paragraph (62) the following new paragraph:
    - (63) provide that the State shall provide prompt notice to the Secretary of the amount of any recovery from a manufacturer of tobacco products, as defined in section 1903(d) (7) (C) (i), of expenditures for medical assistance provided under such plan for the treatment of individuals with diseases attributable to the use of tobacco products, as defined in section 1903(d) (7) (C) (ii).'
- (c) EFFECTIVE DATE- The amendments made by subsections (a) and (b) shall apply to amounts recovered on and after the date of the enactment of this Act.

MEMORANDUM

TO: BRUCE REED, ELENA KAGAN  
FROM: TOM FREEDMAN, MARY L. SMITH  
RE: TOBACCO BILLS  
DATE: JULY 8, 1997

SUMMARY

Below is a list of bills, in reverse chronological order, that were introduced in both the 104th and 105th Congress that relate to tobacco. *(This list was compiled by performing a Nexis search using the words "tobacco" and "cigarettes" as search terms.)*

*1/1 for any any legislation*

Many of the bills relate to topics that are already covered in the proposed settlement agreement such as bills regarding restrictions on advertising and bills aimed at reducing youth smoking.

*We haven't looked at the details of every bill, but*

~~There are a few bills, however, that are not covered by the proposed settlement that look particularly promising:~~ *Waxman.*

1. **Bills to create conversion funds for farmers.** S.804 by Sen. Bradley on 5-15-95; S.598 by Sen. Bradley (D-NJ) on 3-22-95.

2. **Bills to disallow deductions for advertising expenses for tobacco products.** H.R. 1323 by Rep. McHale (D-PA) on 4-15-97; H.R. 2962 by Rep. McHale (D-PA) on 2-06-96; S. 596 by Sen. Harkin (D-IA) on 3-22-95.

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DATE INTRO	BILL NO.	SPONSOR	STATUS	DESCRIPTION OF BILL
6-27-97	S. Res. 104	Sen. Harkin (D-IA)	referred to committee	Resolution to state the sense of the Senate regarding the tax status of payments made as a result of the recent tobacco liability settlement. Under the settlement, any payment by the tobacco manufacturers is counted as a "normal and necessary" business expense and is therefore tax deductible, thereby potentially requiring taxpayers to subsidize up to \$147 billion of the settlement payment. This resolution seeks to prohibit parties to the agreement from claiming tax deductions for these payments.
6-25-97	H.R. 2034	Rep. Bishop (D-GA); 13 cosponsors	referred to committee	A bill to amend section 1926 of the Public Health Service Act to encourage states to strengthen their efforts to prevent the sale and distribution of tobacco products to individuals under the age of 18.
6-24-97	H.R. 2017	Rep. Bishop (D-GA); no cosponsors	referred to committee	A bill to amend section 1926 of the Public Health Service Act to encourage states to strengthen their efforts to prevent the sale and distribution of tobacco products to individuals under the age of 18.
6-12-97	H.R. 1881	Rep. Waxman (D-CA)	referred to committee	<b>Tobacco Accountability Act:</b> A bill to establish the Tobacco Accountability Board. The Board will investigate all matters relating to the tobacco industry including (1) any efforts to conceal research relating to the adverse health effects caused by tobacco; (2) any efforts by tobacco manufacturers to mislead the public; (3) any efforts to sell tobacco to children; and (4) any attempt to circumvent regulations of tobacco.

3.

6-06-97	H.R. 1826	Rep. Elizabeth Furse (D-OR)	referred to House Agriculture Committee	A bill to increase deficit-reduction assessments for participants in the Federal price support program for tobacco and to extend the period during which such assessments will be collected.
6-03-97	S.828	Sen. Durbin (D-IL); Cosponsors: Sen. Lautenberg (D-NJ), Sen. Harkin (D-IA)	referred to Committee on Commerce	<b>No Tobacco for Kids Act:</b> Directs HHS to conduct annual surveys to determine the number of children who used each manufacturer's tobacco products. Requires each manufacturer to make specified annual reductions in child tobacco use, and provides penalties based on total consumer use for failure to meet such requirements. Sets forth performance standards for new manufacturers. Directs that specified amounts of fiscal year penalties shall go to a Tobacco Enforcement and Education Fund in the Treasury, with any excess to go to the Treasury.
6-03-97	S.826	Sen. Lautenberg (D-NJ); Cosponsors: Sen. Durbin (D-IL), Sen. Kerry (D-MA)	referred to Senate Environment and Public Works Committee	<b>Smoke Free Environment Act of 1997:</b> A bill to amend the Public Health Service Act to protect the public from health hazards caused by exposure to environmental tobacco smoke.
6-03-97	H.R. 1772	Rep. Waxman (D-CA); no cosponsors	referred to committee	<b>No Tobacco for Kids Act:</b> A bill to provide for the reduction in the number of children who use tobacco products.
6-03-97	H.R. 1771	Rep. Waxman (D-CA); 2 cosponsors	referred to committee	<b>Smoke-Free Environment Act of 1997:</b> A bill to amend the Public Health Service Act to protect the public from health hazards caused by exposure to environmental tobacco smoke

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4-24-97	S.643	Sen. Durbin (D-IL); 3 Cosponsors	referred to Committee on Agriculture	<b>Tobacco Subsidy Reduction Act of 1997:</b> Amends the Federal Crop Insurance Act to prohibit the CCC from providing federal crop insurance or reinsurance for tobacco. Amends the Agricultural Market Transition Act to prohibit the Secretary of Agriculture from providing noninsured crop disaster assistance for tobacco.
4-24-97	H.R. 1438	Rep. Degette (D-CO); 43 cosponsors	referred to committee	<b>Tobacco Subsidy Reduction Act of 1997:</b> A bill to prohibit the Federal Government from providing insurance, reinsurance, or noninsured corp disaster assistance for tobacco.
4-17-97	H.R. 1364	Rep. Johnson (R-CT); 12 cosponsors	referred to committee	<b>Child Health Insurance and Lower Deficit Act of 1997:</b> A bill to provide grants to States to provide uninsured children with access to health care insurance coverage and to amend the IRS Code of 1986 to increase the excise taxes on tobacco products for the purpose of funding such grants and reducing the deficit.
4-15-97	H.R. 1323	Rep. McHale (D-PA); 34 cosponsors	referred to committee	<b>Tobacco Advertising Tax Reform Act:</b> A bill to amend the IRS Code of 1986 to disallow deductions for advertising expenses for tobacco products.

4-09-97	H.R. 1263	Rep. Pallone (D-NJ); 40 cosponsors	referred to committee	<b>Child Health Insurance and Lower Deficit Act:</b> A bill to amend the Public Health Service Act to provide access to health care insurance coverage for children and to amend the IRS Code of 1986 to increase the excise taxes on tobacco products for the purpose of offsetting the Federal budgetary costs associated with such insurance coverage.
4-08-97	S.527	Sen. Lautenberg (D-NJ); 5 cosponsors	referred to Committee	<b>Tobacco Disclosure and Warning Act of 1997:</b> A bill to prescribe labels for packages and advertising for tobacco products, to provide for the disclosure of certain information relating to tobacco products.
4-08-97	S.526	Sen. Hatch (R-UT); 23 cosponsors	In Committee.	A bill to amend the IRS Code of 1986 to increase the excise taxes on tobacco products for the purpose of offsetting the federal budgetary costs associated with the Child Health Insurance and Lower Deficit Act.
4-08-97	H.R. 1244	Rep. Meehan (D-MA); 5 cosponsors	referred to committee	<b>Tobacco Disclosure and Warning Act of 1997:</b> A bill to prescribe labels for packages and advertising for tobacco products and to provide for the disclosure of certain information relating to tobacco products.
2-13-97	H.R. 768	Rep. LaHood (R-IL); 34 cosponsors	referred to committee	A bill to restrict the FDA from penalizing retailers for face-to-face tobacco sales that are in accordance with State law.
2-13-97	H.R. 762	Rep. Hansen (R-UT); 5 cosponsors	referred to committee	<b>Youth Protection from Tobacco Addiction Act of 1997:</b> A bill to restrict the advertising and promotion of tobacco products.

2-04-97	H.R. 516	Rep. Baesler (D-KY); no cosponsors	referred to committee	<b>Youth Smoking Prevention Act of 1997:</b> A bill to establish the Federal Authority to regulate tobacco and other tobacco products containing nicotine as a condition to the receipt by a State of the Federal preventive health and health services block grant.
1-23-97	S.201	Sen. Ford (D-KY); no cosponsors	Referred to committee	<b>Tobacco Products Control Act of 1997.</b> A bill to provide for the establishment of certain limitations on advertisements relating to, and the sale of, tobacco products, and to provide for increased enforcement of laws relating to underage tobacco use.
1-09-97	H.R. 410	Rep. Gordon (D-TN); 29 cosponsors	referred to committee	A bill to prohibit the use of any tobacco or tobacco product as a sponsor of an event of the National Association of Stock Car Automobile Racing, its agents or affiliates, or any other professional motor sports associations by HHS or any other instrumentality of the Federal Government.
10-01-96	S. 2184	Sen. Lautenberg (D-NJ); no cosponsors	referred to Senate Commerce, Science and Transportation Committee	<b>Tobacco-Free Children's Internet Act of 1996:</b> a bill to require the Commissioner of the Food and Drug Administration to issue regulations limiting the advertising of cigarettes and smokeless tobacco over the Internet. <i>new</i>
9-26-96	H. Con. Res. 223	Rep. Greene (R-UT); no cosponsors	referred to House Economic and Educational Opportunities Committee	Expresses the sense of the Congress that addiction to nicotine should not be considered a disability for purposes of specified provisions of the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973

9-27-96	H.R. 4245	Rep. Fox (R-PA); no cosponsors	referred to House Commerce Committee	<b>Tobacco Youth Access Act:</b> a bill to restrict the access of youth to tobacco products.
8-02-96	H.R. 3954	Rep. Fox (R-PA); no cosponsors	referred to committee	<b>Control of Youth Access to Tobacco Act:</b> A bill to restrict the access of youth to tobacco products.
7-16-96	H.R. 3821	Rep. Hansen (R- UT); 8 cosponsors	referred to committee	<b>Youth Protection from Tobacco Addiction Act of 1996:</b> A bill to restrict the advertising and promotion of tobacco products.
7-10-96	H.R. 3779	Rep. Oberstar (D- MN); 16 cosponsors	referred to committee	<b>Tobacco Medicaid Recovery Act of 1996:</b> a bill to amend title XIX of the Social Security Act to reward states for collecting Medicaid funds expended on tobacco-related illnesses.
6-19-96	S. 1892	Sen. Lautenberg (D-NJ); 6 cosponsors	referred to Senate Finance Committee	<b>Tobacco Medicaid Recovery Act of 1996:</b> a bill to reward states for collecting Medicaid funds expended on tobacco-related illnesses
2-06-96	H.R. 2962	Rep. McHale (D- PA); 22 cosponsors	referred to House Ways and Means Committee	A bill to amend the Internal Revenue Code of 1986 to disallow deductions for advertising expenses for tobacco products.
11-16-95	H.R. 2653	Rep. Charlie Rose (D-NC); no cosponsors	referred to House Agriculture Committee	<b>Tobacco Amendments Act of 1995:</b> A bill to amend the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 to improve the operation of the Government flue-cured and burley tobacco programs.

11-06-95	H.R. 2585	Rep. Schroeder (D-CO); 26 cosponsors	referred to committee	<b>Smokeless Tobacco Consumption Reduction and Education Act of 1995:</b> A bill to amend the IRS Code of 1986 to increase the excise taxes on smokeless tobacco to an amount equivalent to the tax on cigarettes and to use the resulting revenues to fund a trust fund for programs to reduce the use of smokeless tobacco.
9-28-95	H.R. 2414	Rep. Baesler (D-KY); 3 cosponsors	referred to House Commerce Committee	<b>Youth Smoking Prevention Act of 1995:</b> a bill to establish the Federal authority to regulate tobacco and other tobacco products containing nicotine.
9-26-95	S. 1295	Sen. Helms (R-NC); 3 cosponsors	referred to Senate Commerce, Science and Transportation Committee	A bill to prohibit the regulation of any tobacco products, or tobacco sponsored advertising, used or purchased by the National Association of Stock Car Automobile Racing, its agents or affiliates, or any other professional motor sports association by HHS or any other instrumentality of the Federal government.
9-20-95	S. 1262	Sen. Ford (D-KY)	referred to Senate Commerce, Science and Transportation Committee	<b>Tobacco Products Control Act of 1995:</b> a bill to provide for the establishment of certain limitations on advertisements relating to, and the sale of , tobacco products, and to provide for the increased enforcement of laws relating to underage tobacco use.
9-07-95	H.R. 2283	Rep. Payne (D-VA); 23 cosponsors	referred to House Commerce Committee	A bill to prohibit the regulation of the sale or use of tobacco or tobacco products by HHS.

9-06-95	H.R. 2265	Rep. Funderburk (R-NC); 53 cosponsors	referred to House Commerce Committee	A bill to prohibit the regulation of any tobacco products, or tobacco sponsored advertising, used or purchased by the National Association of Stock Car Automobile Racing, its agents or affiliates, or any other professional motor sports association by HHS or other instrumentality of the Federal Government.
8-07-95	S. Res. 159	Sen. Bradley (D-NJ); 11 cosponsors	referred to Senate Finance Committee	A resolution to express the sense of the Senate regarding the role of tobacco in leading to addiction, disease, and premature death among children and teenagers, and the role of increased excise taxes in reducing tobacco use by children and teenagers.
8-04-95	S. 1123	Sen. Bingaman (D-NM); no cosponsors	referred to Senate Environment and Public Works Committee	A bill to limit access by minors to cigarettes through prohibiting the sale of tobacco products in vending machines and the distribution of free samples of tobacco products in federal buildings and property accessible by minors.
6-15-95	H.R. 1853	Rep. Meehan (D-MA); 9 cosponsors	referred to House Science Committee	<b>Freedom from Nicotine Addiction Act of 1995:</b> A bill to amend the Federal Food, Drug, and Cosmetic Act to require the reduction and eventual elimination of nicotine in tobacco products.
5-15-95	S. 804	Sen. Bradley (D-NJ); no cosponsors	referred to Senate Finance Committee	<b>Tobacco Consumption Reduction and Health Improvement Act of 1995:</b> A bill to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products, and to use a portion of the resulting revenues to fund a trust fund for tobacco diversification.

4-06-95	H.R. 1455	Rep. Stark (D-CA); 13 cosponsors	referred to the House Ways and Means Committee	<b>Tobacco Health Tax and Agricultural Conversion Act of 1995:</b> A bill to amend the IRS Code of 1986 to increase the tax on tobacco products.
3-22-95	S. 598	Sen. Bradley (D-NJ); cosponsor: Lautenberg (D-NJ)	referred to Senate Finance Committee	<b>Tobacco Consumption Reduction and Health Improvement Act of 1995:</b> A bill to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products and to use a portion of the resulting revenue to fund a trust fund for tobacco diversification.
3-22-95	S. 597	Sen. Lautenberg (D-NJ); 2 cosponsors	referred to Senate Finance Committee	<b>Medicare/Medicaid Solvency Act:</b> A bill to insure the long-term viability of the Medicare, Medicaid, and other federal health programs by establishing a dedicated trust fund to reimburse the government for the health care costs of individuals with diseases attributable to the use of tobacco products.
3-22-95	S. 596	Sen. Harkin (D-IA)	referred to Senate Finance Committee	A bill to amend the Internal Revenue Code of 1986 to disallow deductions for advertising and promotional expenses for tobacco products.
1-23-95	H.R. 636	Rep. Kildee (D-MI)	referred to House Economic and Educational Opportunities Committee	<b>The Tobacco Workers Equity Act:</b> A bill to amend section 207(m) of the Fair Labor Standards Act of 1938 to eliminate the partial overtime exemption for employees that perform services necessary and incidental to the sale and processing of green and cigar leaf tobacco.

# Allen Courts Tobacco Vote

## Congress Urged to Consider Farmers, Workers

By Spencer S. Hsu  
and Ellen Nakashima  
Washington Post Staff Writers

RICHMOND, July 2—Casting himself and other Virginia Republicans as defenders of threatened tobacco farmers and cigarette industry workers, Gov. George Allen today urged Congress to try to soften the impact of the landmark tobacco settlement on Virginia and other states that grow the crop.

At a news conference with 9-year-old Jessica Wells and her parents, tobacco farmers from Mecklenburg, Va., Allen announced that he had created a panel to advise Virginia's members of Congress on possible compensation for farmers and workers who could be affected by last month's \$368 billion settlement, negotiated by cigarette makers, public health advocates and states suing to recover the costs of tobacco-related illness.

"My concern is that families such as the Wellses and literally tens of thousands like them across Virginia are ... being ignored," Allen said from his ornate Capitol office. "I'm just trying to find some way for them to understand that, look, these are real human beings ... being affected by what you might be doing."

Allen's remarks—a day after GOP gubernatorial nominee James S. Gilmore III told Southside Virginia tobacco farmers that Democratic nominee Donald S. Beyer Jr. is trying to divide the state's rural and urban areas by supporting federal tobacco regulations—reflect an effort by Republi-

See VIRGINIA, D5, Col. 1

### VIRGINIA, From D1

cans to focus Virginia's often-wrenching debate over tobacco on the leaf's economic importance rather than its health risks.

Analysts said Republicans also are trying to recover from the criticism they've taken on the issue in recent months. As Virginia's attorney general, Gilmore stayed away from the tobacco settlement talks and sided with tobacco companies in their fight against new federal regulations aimed primarily at curbing teen smoking.

Beyer and other Democrats have accused Allen and Gilmore—who resigned last month to focus on his campaign—of being too cozy with cigarette makers at the expense of farmers and public health.

"Imagery here is extremely important," said Robert D. Holsworth, a political scientist at Virginia Commonwealth University. Noting that Allen appeared with the Wells family and the state's top officials for commerce, transportation and agriculture—but not health or Medicaid officials—Holsworth said the governor was not defending cigarette manufacturers but also was not talking about addicted smokers.

"It's not that the Republicans want to come to the defense of the corporations that have been misleading people," Holsworth said. "They want to come to the defense of the hard-working farm families who have been making an honest living."

That was the case on Tuesday, when Gilmore, standing thigh-deep in a summer field of tobacco plants in rural Southside, accused Beyer, Virginia's lieutenant governor, of trying to exploit antismoking sentiment and divide urban and suburban voters from rural farmers.

"The trouble is that politics today seems to be about trying to set one group against another group, one region against another region," Gilmore, who lives in suburban Richmond, told a group of farmers. "... Beyer has not taken this region and this community into consideration."

Today, Beyer praised Allen's moves in support of farmers. But he accused the governor and Gilmore of failing to protect children's health and said the state should have moved sooner to take part in the tobacco settlement talks.

"We need real protections for children and real protections for growers," said Beyer, who lives in Alexandria. "We should have made this kind of effort in April, when Jim Gilmore had the opportunity to represent Virginia's interests in the talks and refused to."

Beyer also rejected Gilmore's claim that the Democrat was trying to divide voters.

"Sticking up for children in the debate about tobacco has nothing to do with pitting one region of the state against another," said Beyer, who said that it was Gilmore who was trying to exploit regional animosities by playing to farmers' anxieties instead of talking about issues such as education. "I'm as concerned about the kid who lives in Danville as I am about the kid who lives in Richmond or in Staunton."

Allen said little today about the health impact of smoking, and he could not say what the state's share of proposed Medicaid-compensation would be from the settlement.

The Washington Post

THURSDAY, JULY 3, 1997

Farmers

copy to Joe

But he quoted tobacco industry studies estimating that 48,000 jobs in Virginia are directly tied to tobacco production and manufacturing and that tobacco farm receipts totaled \$186 million a year. According to industry studies, an additional 72,000 jobs are partly dependent on the crop.

Overall, tobacco accounts for 8 percent of the state's agricultural production and about 3 percent of Virginia's gross state product. Allen said one of the task force's charges is to determine what impact shrinking cigarette consumption would have on Virginia farmers.

Allen praised the settlement's plan to compensate states for Medicaid costs incurred in treating tobacco-related diseases, and said he supports efforts to stop teen smoking.

Michael Wells, a 45-year-old farmer with 68 acres, said he was glad to see Allen come to his defense. "I'm pleased, and I'm sure the tobacco industry is pleased," Wells said.

Although farmers represent a dwindling percentage of Virginia's voters, Republicans are hoping that those types of feelings will draw farmers to the polls in November to vote for Gilmore.

At Holland's Tobacco Warehouse in Danville on Tuesday, Gilmore greeted farmers and bluntly pledged his allegiance to their cause.

"I'm here to underscore the importance of the agricultural and farming community in the Commonwealth of Virginia, particularly Southside," Gilmore said. "I stood by tobacco farmers in the past, and I will continue to stand behind and beside the tobacco farmers in the future."

## M E M O R A N D U M

**TO: BRUCE REED, ELENA KAGAN**

**FROM: TOM FREEDMAN, MARY L. SMITH**

**RE: POSSIBLE TOBACCO BILLS**

**DATE: JUNE 27, 1997**

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### I. SUMMARY

The following provides a summary of government programs that provide assistance to tobacco farmers and that provide tax deductions for the tobacco industry. A list of bills from the 104th Congress and 105th Congress that could be used to supplement or amend the tobacco proposal is also included. These bills either affect the tobacco industry in economic terms or apply to tobacco farmers.

### II. BACKGROUND ON TOBACCO FARMERS

- Today the subsidies for tobacco farmers are relatively small. Direct subsidies ended in the 1980s. Currently, the subsidies amount to a quota system in which the government licenses the right to grow tobacco and has a federal program to insure farmers against crop losses. The Department of Agriculture has budgeted \$145 million for the insurance in the coming fiscal year. In years with no significant losses, the Department of Agriculture contributes little or nothing to the insurance pool.
- North Carolina produces 52% of all domestically grown tobacco. There are 17,625 tobacco farmers in North Carolina. However, tobacco accounts for only 6.5% of North Carolina's economy, or about \$12 billion annually.
- Federal, state, and local excise taxes collected on cigarettes totaled \$13.1 billion.

### III. SOME GOVERNMENT PROGRAMS INVOLVING TOBACCO

1. **Tobacco Price-Support Program.** This is a program that controls both how much tobacco farmers can sell and what price they get for it. In 1995, then Rep. Dick Durbin, in proposing a failed amendment to the Agriculture Department funding bill to eliminate this program, calculated that farmers who own tobacco quotas are allowed to gross \$4,000 to \$5,000 per acre, compared with corn farmers who gross one-tenth of that amount. In 1995, under the program, the Agriculture Department paid \$41.5 million a year for administrative costs for such things as setting the quota, for losses associated with federal crop insurance for tobacco, and for extension services. Opponents argued that if the

tobacco-price support program were eliminated, the government could end up losing \$1 billion on the existing surplus.

2. **Tobacco insurance.** The Federal government provides insurance, reinsurance, and noninsured crop disaster assistance for tobacco.
3. **Favorable tax deductions for tobacco advertising.** The Internal Revenue Code of 1986 allows the tobacco industry to take deductions for its advertising costs.

#### IV. **BILLS**

##### **104th Congress**

1. **S. 598; Sponsored by Senator Bill Bradley:** Establishes in the Treasury a Tobacco Conversion Trust Fund. Funds from increased taxes on tobacco will be made available to:
  - (1) assist farmers in converting from tobacco to other crops and improve their access to markets for other crops; and
  - (2) provide grants and loans, including assistance to convert from tobacco production, to communities and persons involved in tobacco growing and tobacco product manufacture who are adversely affected by the tax increase.

**Last status: referred to Senate Finance Committee.**

Copy attached.

2. **H.R. 2962; Sponsored by Rep. Paul McHale (D-PA).** Bill to amend the IRS Code to disallow deductions for advertising expenses for tobacco products.

**Last status: referred to House Ways and Means Committee.**

##### **105th Congress**

1. **H.R. 1323; Sponsored by Rep. McHale; 34 co-sponsors.** A bill that amends the IRS Code to disallow deductions for advertising expenses for tobacco products.

**Last status: referred to committee.**

2. **H.R. 1438, S. 643 (Senator Durbin).** A bill to prohibit the Federal Government from providing insurance, reinsurance, or noninsured crop disaster assistance for tobacco.

**Last status: referred to committee.**

3. **H.R. 1826.** A bill to increase deficit-reduction assessments for participants in the Federal price support program for tobacco and to extend the period during which such assessments will be collected.

**Last status: referred to committee.**

4. **S.826; Sponsored by Senators Lautenberg, Durbin, and Kerry.** A bill to amend the Public Health Service Act to protect the public from health hazards caused by exposure to environmental tobacco smoke. This bill basically create standards for smoke-free public places (which is also covered in the proposed resolution reached by the state attorney generals). Copy attached.

**Last status: referred to committee.**

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Bill Tracking Report

104th Congress  
1st Session

U. S. Senate

S 598

1995 Bill Tracking S. 598; 104 Bill Tracking S. 598

TOBACCO CONSUMPTION REDUCTION AND HEALTH IMPROVEMENT ACT OF 1995

<=1> Retrieve full text version

DATE-INTRO: March 22, 1995

LAST-ACTION-DATE: March 22, 1995

STATUS: Referred to committee

SPONSOR: Senator Bill Bradley D-NJ

TOTAL-COSPONSORS: 1 Cosponsors: 1 Democrats / 0 Republicans

SYNOPSIS: A bill to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products, and to use a portion of the resulting revenues to fund a trust fund for tobacco diversification, and for other purposes.

ACTIONS: Committee Referrals:  
03/22/95 Senate Finance Committee

Legislative Chronology:

1st Session Activity:

03/22/95 141 Cong Rec S 4365 Referred to the Senate Finance Committee  
03/22/95 141 Cong Rec S 4381 Remarks by Sen. Bradley NJ

BILL-DIGEST: (from the CONGRESSIONAL RESEARCH SERVICE)

Short title as introduced :

Tobacco Consumption Reduction and Health Improvement Act of  
1995

Digest :

Tobacco Consumption Reduction and Health Improvement Act of  
1995 - Amends the Internal Revenue Code to increase the excise tax

on: (1) cigars; (2) cigarettes; (3) cigarette papers and tubes; (4) snuff; and (5) chewing and pipe tobacco. Imposes a tax on the floor stocks of such tobacco products which are removed before January 1, 1996. Makes an exception to the imposition of such tax for floor stocks of such products held on such date at the place intended to be sold at retail. Imposes such tax on such products entered into the United States from foreign trade zones before such date. Imposes a tax on roll-your-own tobacco manufactured in or imported into the United States.

Establishes in the Treasury the Tobacco Conversion Trust Fund, to which the Secretary of the Treasury shall transfer an amount equivalent to three percent of the net increase in revenues attributable to the tax increases imposed by this Act. Makes Fund amounts available for expenditures for providing: (1) assistance to farmers for conversion from tobacco growing (including Government purchase of tobacco allotments) and improving their access to markets for other crops; and (2) grants and loans to communities and persons involved in tobacco growing and tobacco product manufacture to support economic diversification plans.

CRS Index Terms:

Taxation  
 Agricultural economics  
 Agricultural subsidies  
 Agriculture  
 Budgets  
 Business  
 Cigarettes  
 Diversification in industry  
 Drug abuse  
 Exports  
 Farm produce  
 Federal aid to community development  
 Foreign trade  
 Free ports and zones  
 Government lending  
 Government trust funds  
 Grants-in-aid  
 Health policy  
 Imports  
 Marketing of farm produce  
 Medical care  
 Smokeless tobacco  
 Tax credits  
 Tax rates  
 Tobacco industry  
 Tobacco tax  
 Trade

CO-SPONSORS: Original Cosponsors:

Lautenberg D-NJ

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FULL TEXT OF BILLS

104TH CONGRESS; 1ST SESSION  
IN THE SENATE OF THE UNITED STATES  
AS INTRODUCED IN THE SENATE

S. 598

1995 S. 598; 104 S. 598

SYNOPSIS:

A BILL To amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products, and to use a portion of the resulting revenues to fund a trust fund for tobacco diversification, and for other purposes.

DATE OF INTRODUCTION: MARCH 22, 1995

DATE OF VERSION: MARCH 24, 1995 -- VERSION: 1

SPONSOR(S):

Mr. BRADLEY (for himself and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

TEXT:

\* Be it enacted by the Senate and House of Representatives of the United\*  
\*States of America in Congress assembled. \*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Tobacco Consumption Reduction and Health Improvement Act of 1995".

SEC. 2. INCREASE IN TAXES ON TOBACCO PRODUCTS.

(a) IN GENERAL. -

(1) CIGARS.-Subsection (a) of section 5701 of the Internal Revenue Code of 1986 (relating to rate of tax on cigars) is amended-

(A) by striking "\$1.125 cents per thousand (93.75 cents per thousand on cigars removed during 1991 and 1992)" in paragraph (1) and inserting "\$5.8125 per thousand"; and

(B) by striking paragraph (2) and inserting the following new paragraph:

"(2) LARGE CIGARS.-ON CIGARS WEIGHING MORE THAN 3 POUNDS PER THOUSAND, A TAX EQUAL TO 65.875 PERCENT OF THE PRICE FOR WHICH SOLD BUT NOT MORE THAN \$155 PER THOUSAND."

(2) CIGARETTES.-Subsection (b) of section 5701 of such Code (relating to rate of tax on cigarettes) is amended-

(A) by striking "\$12 per thousand (\$10 per thousand on cigarettes removed during 1991 and 1992)" in paragraph (1) and inserting "\$62 per thousand"; and

(B) by striking "\$25.20 per thousand (\$21 per thousand on cigarettes removed during 1991 and 1992)" in paragraph (2) and inserting "\$130.20 per thousand".

(3) CIGARETTE PAPERS.-SUBSECTION (C) OF SECTION 5701 OF SUCH CODE (RELATING TO RATE OF TAX ON CIGARETTE PAPERS) IS AMENDED BY STRIKING "0.75 CENT (0.625 CENT ON CIGARETTE PAPERS REMOVED DURING 1991 OR 1992)" AND INSERTING "3.875 CENTS".

(4) CIGARETTE TUBES.-SUBSECTION (D) OF SECTION 5701 OF SUCH CODE

S. 598 MARCH 24, 1995 -- VERSION: 1

(RELATING TO RATE OF TAX ON CIGARETTE TUBES) IS AMENDED BY STRIKING "1.5 CENTS (1.25 CENTS ON CIGARETTE TUBES REMOVED DURING 1991 OR 1992)" AND INSERTING "7.75 CENTS".

(5) SNUFF.-Paragraph (1) of section 5701(e) of such Code (relating to rate of tax on smokeless tobacco) is amended by striking "36 cents (30 cents on snuff removed during 1991 or 1992)" and inserting "\$1.86".

(6) CHEWING TOBACCO.-Paragraph (2) of section 5701(e) of such Code is amended by striking "12 cents (10 cents on chewing tobacco removed during 1991 or 1992)" and inserting "62 cents".

(7) PIPE TOBACCO.-Subsection (f) of section 5701 of such Code (relating to rate of tax on pipe tobacco) is amended by striking "67.5 cents (56.25 cents on chewing tobacco removed during 1991 or 1992)" and inserting "\$3.4875".

(8) EFFECTIVE DATE.-The amendments made by this subsection shall apply with respect to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco removed after December 31, 1995.

(b) IMPOSITION OF EXCISE TAX ON MANUFACTURE OR IMPORTATION OF ROLL-YOUR-OWN TOBACCO.-

(1) IN GENERAL.-SECTION 5701 OF THE INTERNAL REVENUE CODE OF 1986 (RELATING TO RATE OF TAX) IS AMENDED BY REDESIGNATING SUBSECTION (G) AS SUBSECTION (H) AND BY INSERTING AFTER SUBSECTION (F) THE FOLLOWING NEW SUBSECTION:

"(G) ROLL-YOUR-OWN TOBACCO.-ON ROLL-YOUR-OWN TOBACCO, MANUFACTURED IN OR IMPORTED INTO THE UNITED STATES, THERE SHALL BE IMPOSED A TAX OF \$1.86 PER POUND (AND A PROPORTIONATE TAX AT THE LIKE RATE ON ALL FRACTIONAL PARTS OF A POUND)."

(2) ROLL-YOUR-OWN TOBACCO.-SECTION 5702 OF SUCH CODE (RELATING TO DEFINITIONS) IS AMENDED BY ADDING AT THE END THE FOLLOWING NEW SUBSECTION:

"(P) ROLL-YOUR-OWN TOBACCO.-THE TERM 'ROLL-YOUR-OWN TOBACCO' MEANS ANY TOBACCO WHICH, BECAUSE OF ITS APPEARANCE, TYPE, PACKAGING, OR LABELING, IS SUITABLE FOR USE AND LIKELY TO BE OFFERED TO, OR PURCHASED BY, CONSUMERS AS TOBACCO FOR MAKING CIGARETTES."

(3) TECHNICAL AMENDMENTS.-

(A) SUBSECTION (C) OF SECTION 5702 OF SUCH CODE IS AMENDED BY STRIKING "AND PIPE TOBACCO" AND INSERTING "PIPE TOBACCO, AND ROLL-YOUR-OWN TOBACCO".

(B) SUBSECTION (D) OF SECTION 5702 OF SUCH CODE IS AMENDED-  
(I) IN THE MATERIAL PRECEDING PARAGRAPH (1), BY STRIKING "OR PIPE TOBACCO" AND INSERTING "PIPE TOBACCO, OR ROLL-YOUR-OWN TOBACCO", AND

(II) BY STRIKING PARAGRAPH (1) AND INSERTING THE FOLLOWING NEW PARAGRAPH:

"(1) A PERSON WHO PRODUCES CIGARS, CIGARETTES, SMOKELESS TOBACCO, PIPE TOBACCO, OR ROLL-YOUR-OWN TOBACCO SOLELY FOR THE PERSON'S OWN PERSONAL CONSUMPTION OR USE, AND".

(C) THE CHAPTER HEADING FOR CHAPTER 52 OF SUCH CODE IS AMENDED TO READ AS FOLLOWS:

"CHAPTER 52-TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES".

(D) The table of chapters for subtitle E of such Code is amended by striking the item relating to chapter 52 and inserting the following new item:

"CHAPTER 52. Tobacco products and cigarette papers and tubes."

## (4) EFFECTIVE DATE.-

(A) IN GENERAL.-THE AMENDMENTS MADE BY THIS SUBSECTION SHALL APPLY TO ROLL-YOUR-OWN TOBACCO REMOVED (AS DEFINED IN SECTION 5702(P) OF THE INTERNAL REVENUE CODE OF 1986, AS ADDED BY THIS SUBSECTION) AFTER DECEMBER 31, 1995.

## (B) TRANSITIONAL RULE.-ANY PERSON WHO-

(I) ON THE DATE OF THE ENACTMENT OF THIS ACT IS ENGAGED IN BUSINESS AS A MANUFACTURER OF ROLL-YOUR-OWN TOBACCO OR AS AN IMPORTER OF TOBACCO PRODUCTS OR CIGARETTE PAPERS AND TUBES, AND

(II) BEFORE JANUARY 1, 1996, SUBMITS AN APPLICATION UNDER SUBCHAPTER B OF CHAPTER 52 OF SUCH CODE TO ENGAGE IN SUCH BUSINESS,

MAY, NOTWITHSTANDING SUCH SUBCHAPTER B, CONTINUE TO ENGAGE IN SUCH BUSINESS PENDING FINAL ACTION ON SUCH APPLICATION. PENDING SUCH FINAL ACTION, ALL PROVISIONS OF SUCH CHAPTER 52 SHALL APPLY TO SUCH APPLICANT IN THE SAME MANNER AND TO THE SAME EXTENT AS IF SUCH APPLICANT WERE A HOLDER OF A PERMIT UNDER SUCH CHAPTER 52 TO ENGAGE IN SUCH BUSINESS.

## (C) FLOOR STOCKS.-

(1) IMPOSITION OF TAX.-On cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco manufactured in or imported into the United States which is removed before January 1, 1996, and held on such date for sale by any person, there shall be imposed the following taxes:

(A) SMALL CIGARS.-On cigars, weighing not more than 3 pounds per thousand, \$4.6875 per thousand.

(B) LARGE CIGARS.-On cigars, weighing more than 3 pounds per thousand, a tax equal to 53.125 percent of the price for which sold, but not more than \$125 per thousand.

(C) SMALL CIGARETTES.-On cigarettes, weighing not more than 3 pounds per thousand, \$50 per thousand.

(D) LARGE CIGARETTES.-On cigarettes, weighing more than 3 pounds per thousand, \$105 per thousand; except that, if more than 6 1/2 inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2 3/4 inches, or fraction thereof, of the length of each as one cigarette.

(E) CIGARETTE PAPERS.-ON CIGARETTE PAPERS, 3.125 CENTS FOR EACH 50 PAPERS OR FRACTIONAL PART THEREOF; EXCEPT THAT, IF CIGARETTE PAPERS MEASURE MORE THAN 6 1/2 INCHES IN LENGTH, THEY SHALL BE TAXABLE AT THE RATE PRESCRIBED, COUNTING EACH 2 3/4 INCHES, OR FRACTION THEREOF, OF THE LENGTH OF EACH AS ONE CIGARETTE PAPER.

(F) CIGARETTE TUBES.-ON CIGARETTE TUBES, 6.25 CENTS FOR EACH 50 TUBES OR FRACTIONAL PART THEREOF; EXCEPT THAT, IF CIGARETTE TUBES MEASURE MORE THAN 6 1/2 INCHES IN LENGTH, THEY SHALL BE TAXABLE AT THE RATE PRESCRIBED, COUNTING EACH 2 3/4 INCHES, OR FRACTION THEREOF, OF THE LENGTH OF EACH AS ONE CIGARETTE TUBE.

(G) SNUFF.-On snuff, \$1.50 per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(H) CHEWING TOBACCO.-On chewing tobacco, 50 cents per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(I) PIPE TOBACCO.-On pipe tobacco, \$2.8125 per pound and a proportionate tax at the like rate on all fractional parts of a

pound.

(2) LIABILITY FOR TAX AND METHOD OF PAYMENT.-

(A) LIABILITY FOR TAX.-A person holding cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco on January 1, 1996, to which any tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT.-The tax imposed by paragraph (1) shall be treated as a tax imposed under section 5701 of the Internal Revenue Code of 1986 and shall be due and payable on February 15, 1996, in the same manner as the tax imposed under such section is payable with respect to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco removed on January 1, 1996.

(3) CIGARS, CIGARETTES, CIGARETTE PAPER, CIGARETTE TUBES, SNUFF, CHEWING TOBACCO, AND PIPE TOBACCO.-For purposes of this subsection, the terms "cigar", "cigarette", "cigarette paper", "cigarette tubes", "snuff", "chewing tobacco", and "pipe tobacco" shall have the meaning given to such terms by subsections (a), (b), (e), and (g), paragraphs (2) and (3) of subsection (n), and subsection (o) of section 5702 of the Internal Revenue Code of 1986, respectively.

(4) EXCEPTION FOR RETAIL STOCKS.-The taxes imposed by paragraph (1) shall not apply to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco in retail stocks held on January 1, 1996, at the place where intended to be sold at retail.

(5) FOREIGN TRADE ZONES.-Notwithstanding the Act of June 18, 1934 (19 U.S.C. 81a et seq.) or any other provision of law-

(A) cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco-

(i) on which taxes imposed by Federal law are determined, or customs duties are liquidated, by a customs officer pursuant to a request made under the first proviso of section 3(a) of the Act of June 18, 1934 (19 U.S.C. 81c(a)) before January 1, 1996, and

(ii) which are entered into the customs territory of the United States on or after January 1, 1996, from a foreign trade zone, and

(B) cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco which-

(i) are placed under the supervision of a customs officer pursuant to the provisions of the second proviso of section 3(a) of the Act of June 18, 1934 (19 U.S.C. 81c(a)) before January 1, 1996, and

(ii) are entered into the customs territory of the United States on or after January 1, 1996, from a foreign trade zone.

shall be subject to the tax imposed by paragraph (1) and such cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco shall, for purposes of paragraph (1), be treated as being held on January 1, 1996, for sale.

(d) ESTABLISHMENT OF TRUST FUND.-

(1) IN GENERAL.-SUBCHAPTER A OF CHAPTER 98 OF THE INTERNAL REVENUE CODE OF 1986 (RELATING TO TRUST FUND CODE) IS AMENDED BY ADDING AT THE END THE FOLLOWING NEW SECTION:

"SEC. 9512. TOBACCO CONVERSION TRUST FUND.

S. 598 MARCH 24, 1995 -- VERSION: 1

"(a) CREATION OF TRUST FUND.-THERE IS ESTABLISHED IN THE TREASURY OF THE UNITED STATES A TRUST FUND TO BE KNOWN AS THE 'TOBACCO CONVERSION TRUST FUND' (HEREAFTER REFERRED TO IN THIS SECTION AS THE 'TRUST FUND'), CONSISTING OF SUCH AMOUNTS AS MAY BE APPROPRIATED OR CREDITED TO THE TRUST FUND AS PROVIDED IN THIS SECTION OR SECTION 9602(B).

"(b) TRANSFERS TO TRUST FUND.-THE SECRETARY SHALL TRANSFER TO THE TRUST FUND AN AMOUNT EQUIVALENT TO 3 PERCENT OF THE NET INCREASE IN REVENUES RECEIVED IN THE TREASURY ATTRIBUTABLE TO THE AMENDMENTS MADE TO SECTION 5701 BY SUBSECTIONS (A) AND (B) OF SECTION 2 AND THE PROVISIONS CONTAINED IN SECTION 2(C) OF THE TOBACCO CONSUMPTION REDUCTION AND HEALTH IMPROVEMENT ACT OF 1995, AS ESTIMATED BY THE SECRETARY.

"(c) DISTRIBUTION OF AMOUNTS IN TRUST FUND.-AMOUNTS IN THE TRUST FUND SHALL BE AVAILABLE TO THE SECRETARY OF AGRICULTURE, AS PROVIDED BY APPROPRIATION ACTS, FOR MAKING EXPENDITURES FOR PURPOSES OF-

"(1) PROVIDING ASSISTANCE TO FARMERS IN CONVERTING FROM TOBACCO TO OTHER CROPS AND IMPROVING THE ACCESS OF SUCH FARMERS TO MARKETS FOR OTHER CROPS, AND

"(2) PROVIDING GRANTS OR LOANS TO COMMUNITIES, AND PERSONS INVOLVED IN THE PRODUCTION OR MANUFACTURE OF TOBACCO OR TOBACCO PRODUCTS, TO SUPPORT ECONOMIC DIVERSIFICATION PLANS THAT PROVIDE ECONOMIC ALTERNATIVES TO TOBACCO TO SUCH COMMUNITIES AND PERSONS.

THE ASSISTANCE REFERRED TO IN PARAGRAPH (1) MAY INCLUDE GOVERNMENT PURCHASE OF TOBACCO ALLOTMENTS FOR PURPOSES OF RETIRING SUCH ALLOTMENTS FROM ALLOTMENT HOLDERS AND FARMERS WHO CHOOSE TO TERMINATE THEIR INVOLVEMENT IN TOBACCO PRODUCTION."

(2) CLERICAL AMENDMENT.-The table of sections for such subchapter A is amended by adding at the end the following new item:

"Sec. 9512. Tobacco Conversion Trust Fund."

LOAD-DATE: March 27, 1995

1ST DOCUMENT of Level 1 printed in FULL format.

## FULL TEXT OF BILLS

105TH CONGRESS; 1ST SESSION  
 IN THE SENATE OF THE UNITED STATES  
 AS INTRODUCED IN THE SENATE

S. 826

1997 S. 826; 105 S. 826

&lt;=1&gt; Retrieve Bill Tracking Report

## SYNOPSIS:

A BILL To amend the Public Health Service Act to protect the public from health hazards caused by exposure to environmental tobacco smoke, and for other purposes.

DATE OF INTRODUCTION: JUNE 3, 1997

DATE OF VERSION: JUNE 5, 1997 -- VERSION: 1

## SPONSOR(S):

Mr. LAUTENBERG (FOR HIMSELF, MR. DURBIN, and Mr. KERRY of Massachusetts) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

## TEXT:

\* Be it enacted by the Senate and House of Representatives of the United\*  
 \*States of America in Congress assembled. \*

## SECTION 1. SHORT TITLE.

This Act may be cited as the "Smoke-Free Environment Act of 1997".

## SEC. 2. SMOKE-FREE ENVIRONMENT POLICY.

The Public Health Service Act (42 U.S.C. 201 et seq.) is amended by adding at the end the following:

## "TITLE XXVIII-SMOKE-FREE ENVIRONMENTS

"SEC. 2801. SMOKE-FREE ENVIRONMENT POLICY.

"(a) POLICY REQUIRED.-IN ORDER TO PROTECT CHILDREN AND ADULTS FROM CANCER, RESPIRATORY DISEASE, HEART DISEASE, AND OTHER ADVERSE HEALTH EFFECTS FROM BREATHING ENVIRONMENTAL TOBACCO SMOKE, THE RESPONSIBLE ENTITY FOR EACH PUBLIC FACILITY SHALL ADOPT AND IMPLEMENT AT SUCH FACILITY A SMOKE-FREE ENVIRONMENT POLICY WHICH MEETS THE REQUIREMENTS OF SUBSECTION (B).

"(B) ELEMENTS OF POLICY.-EACH SMOKE-FREE ENVIRONMENT POLICY FOR A PUBLIC FACILITY SHALL-

"(1) PROHIBIT THE SMOKING OF CIGARETTES, CIGARS, AND PIPES, AND ANY OTHER COMBUSTION OF TOBACCO, WITHIN THE FACILITY AND ON FACILITY PROPERTY WITHIN THE IMMEDIATE VICINITY OF THE ENTRANCE TO THE FACILITY; AND

"(2) POST A CLEAR AND PROMINENT NOTICE OF THE SMOKING PROHIBITION IN APPROPRIATE AND VISIBLE LOCATIONS AT THE PUBLIC FACILITY.

THE POLICY MAY PROVIDE AN EXCEPTION TO THE PROHIBITION SPECIFIED IN PARAGRAPH (1) FOR ONE OR MORE SPECIALLY DESIGNATED SMOKING AREAS WITHIN A PUBLIC FACILITY IF SUCH AREA OR AREAS MEET THE REQUIREMENTS OF SUBSECTION (C).

"(C) SPECIALLY DESIGNATED SMOKING AREAS.-A SPECIALLY DESIGNATED SMOKING AREA MEETS THE REQUIREMENTS OF THIS SUBSECTION IF IT SATISFIES EACH OF THE FOLLOWING CONDITIONS:

"(1) THE AREA IS VENTILATED IN ACCORDANCE WITH SPECIFICATIONS PROMULGATED BY THE ADMINISTRATOR THAT ENSURE THAT AIR FROM THE AREA IS DIRECTLY EXHAUSTED TO THE OUTSIDE AND DOES NOT RECIRCULATE OR DRIFT TO OTHER AREAS WITHIN THE PUBLIC FACILITY.

"(2) NONSMOKING INDIVIDUALS DO NOT HAVE TO ENTER THE AREA FOR ANY PURPOSE.

"(3) CHILDREN UNDER THE AGE OF 15 ARE PROHIBITED FROM ENTERING THE AREA.

"SEC. 2802. CITIZEN ACTIONS.

"(a) IN GENERAL.-AN ACTION MAY BE BROUGHT TO ENFORCE THE REQUIREMENTS OF THIS TITLE BY ANY AGGRIEVED PERSON, ANY STATE OR LOCAL GOVERNMENT AGENCY, OR THE ADMINISTRATOR.

"(B) VENUE.-ANY ACTION TO ENFORCE THIS TITLE MAY BE BROUGHT IN ANY UNITED STATES DISTRICT COURT FOR THE DISTRICT IN WHICH THE DEFENDANT RESIDES OR IS DOING BUSINESS TO ENJOIN ANY VIOLATION OF THIS TITLE OR TO IMPOSE A CIVIL PENALTY FOR ANY SUCH VIOLATION IN THE AMOUNT OF NOT MORE THAN \$5,000 PER DAY OF VIOLATION. THE DISTRICT COURTS SHALL HAVE JURISDICTION, WITHOUT REGARD TO THE AMOUNT IN CONTROVERSY OR THE CITIZENSHIP OF THE PARTIES, TO ENFORCE THIS TITLE AND TO IMPOSE CIVIL PENALTIES UNDER THIS TITLE.

"(C) NOTICE.-AN AGGRIEVED PERSON SHALL GIVE ANY ALLEGED VIOLATOR NOTICE OF AT LEAST 60 DAYS PRIOR TO COMMENCING AN ACTION UNDER THIS SECTION. NO ACTION MAY BE COMMENCED BY AN AGGRIEVED PERSON UNDER THIS SECTION IF SUCH ALLEGED VIOLATOR COMPLIES WITH THE REQUIREMENTS OF THIS TITLE WITHIN SUCH 60-DAY PERIOD AND THEREAFTER.

"(D) COSTS.-THE COURT, IN ISSUING ANY FINAL ORDER IN ANY ACTION BROUGHT PURSUANT TO THIS SECTION, MAY AWARD COSTS OF LITIGATION (INCLUDING REASONABLE ATTORNEY AND EXPERT WITNESS FEES) TO ANY PREVAILING PARTY, WHENEVER THE COURT DETERMINES SUCH AWARD IS APPROPRIATE.

"(E) PENALTIES.-THE COURT IN ANY ACTION UNDER THIS SECTION TO APPLY CIVIL PENALTIES SHALL HAVE DISCRETION TO ORDER THAT SUCH CIVIL PENALTIES BE USED FOR PROJECTS THAT FURTHER THE POLICIES OF THIS TITLE. THE COURT SHALL OBTAIN THE VIEW OF THE ADMINISTRATOR IN EXERCISING SUCH DISCRETION AND SELECTING ANY SUCH PROJECTS.

"(F) DAMAGES.-NO DAMAGES OF ANY KIND, WHETHER COMPENSATORY OR PUNITIVE, SHALL BE AWARDED IN ACTIONS BROUGHT PURSUANT TO THIS TITLE.

"(G) ISOLATED INCIDENTS.-VIOLATIONS OF THE PROHIBITION SPECIFIED IN SECTION 2801(B)(1) BY AN INDIVIDUAL WITHIN A PUBLIC FACILITY OR ON FACILITY PROPERTY SHALL NOT BE CONSIDERED VIOLATIONS OF THIS TITLE ON THE PART OF THE RESPONSIBLE ENTITY IF SUCH VIOLATIONS-

"(1) ARE ISOLATED INCIDENTS THAT ARE NOT PART OF A PATTERN OF VIOLATIONS OF SUCH PROHIBITION; AND

"(2) ARE NOT AUTHORIZED BY THE RESPONSIBLE ENTITY.

"SEC. 2803. PREEMPTION.

"Nothing in this title shall preempt or otherwise affect any other Federal, State or local law which provides protection from health hazards from environmental tobacco smoke.

"SEC. 2804. REGULATIONS.

"The Administrator is authorized to promulgate such regulations as the Administrator deems necessary to carry out this title.

"SEC. 2805. EFFECTIVE DATE.

"The requirements of this title shall take effect on the date that is 1

year after the date of the enactment of the Smoke-Free Environment Act of 1997.

"SEC. 2806. DEFINITIONS.

"In this title:

"(1) ADMINISTRATOR.-THE TERM 'ADMINISTRATOR' MEANS THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY.

"(2) PUBLIC FACILITY.-THE TERM 'PUBLIC FACILITY' MEANS ANY BUILDING REGULARLY ENTERED BY 10 OR MORE INDIVIDUALS AT LEAST ONE DAY PER WEEK, INCLUDING ANY SUCH BUILDING OWNED BY OR LEASED TO A FEDERAL, STATE, OR LOCAL GOVERNMENT ENTITY. SUCH TERM SHALL NOT INCLUDE ANY BUILDING OR PORTION THEREOF REGULARLY USED FOR RESIDENTIAL PURPOSES.

"(3) RESPONSIBLE ENTITY.-THE TERM 'RESPONSIBLE ENTITY' MEANS, WITH RESPECT TO ANY PUBLIC FACILITY, THE OWNER OF SUCH FACILITY, EXCEPT THAT IN THE CASE OF ANY SUCH FACILITY OR PORTION THEREOF WHICH IS LEASED, SUCH TERM MEANS THE LESSEE."

SEC. 3. PROHIBITIONS AGAINST SMOKING ON SCHEDULED FLIGHTS.

(a) IN GENERAL.-Section 41706 of title 49, United States Code, is amended to read as follows:

"41706. Prohibitions against smoking on scheduled flights

"(a) SMOKING PROHIBITION IN INTRASTATE AND INTERSTATE AIR

TRANSPORTATION.-An individual may not smoke in an aircraft on a scheduled airline flight segment in interstate air transportation or intrastate air transportation.

"(b) SMOKING PROHIBITION IN FOREIGN AIR TRANSPORTATION.-The Secretary of Transportation shall require all air carriers and foreign air carriers to prohibit, on and after the 120th day following the date of the enactment of the Smoke-Free Environment Act of 1997, smoking in any aircraft on a scheduled airline flight segment within the United States or between a place in the United States and a place outside the United States.

"(c) LIMITATION ON APPLICABILITY.-With respect to an aircraft operated by a foreign air carrier, the smoking prohibitions contained in subsections (a) and (b) shall apply only to the passenger cabin and lavatory of the aircraft.

"(d) REGULATIONS.-The Secretary shall prescribe regulations necessary to carry out this section."

(b) EFFECTIVE DATE.-The amendment made by subsection (a) shall take effect on the 60th day following the date of the enactment of this Act.

S. 826 JUNE 5, 1997 -- VERSION: 1

LOAD-DATE: June 6, 1997

MAIL-IT REQUESTED: JULY 10, 1997

100Y5T

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YOUR SEARCH REQUEST AT THE TIME THIS MAIL-IT WAS REQUESTED:  
DATE AFT 1991 AND TOBACCO W/5 FARM! W/50 CROP CONVER!

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LEVEL 1 - 1 OF 5 STORIES

Copyright 1997 The Baltimore Sun Company  
The Baltimore Sun

March 26, 1997, Wednesday, FINAL EDITION

SECTION: LOCAL (NEWS), Pg. 5C, Assembly Digest

LENGTH: 229 words

HEADLINE: House votes to keep vehicle emissions test on voluntary basis

SOURCE: From staff reports

BODY:

... Ways and Means Committee, \$ 20 million would be earmarked for drug and alcohol treatment and tobacco education, \$ 5 million for **crop conversion** programs for **tobacco farmers** and the remainder for the state's general fund.

If the tax increase is approved by the full House, it would face a chilly ...

LEVEL 1 - 4 OF 5 STORIES

Copyright 1996 Bangor Daily News  
BANGOR DAILY NEWS (BANGOR, MAINE)

September 21, 1996 Saturday

LENGTH: 1303 words

HEADLINE: ISSUES

Forestry compact favored; governor's role supported

BYLINE: A. Jay Higgins Of the NEWS Staff

BODY:

... smoke was not harmful. Nine percent were not sure.

The sample survey split again on whether the federal government should provide **crop-conversion** programs and compensation to **tobacco farmers** who are damaged financially by increased taxes on cigarettes. Forty-four percent thought there should be some consideration extended, ...



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LEVEL 1 - 5 OF 5 STORIES

Copyright 1996 U.S. Newswire, Inc.  
U.S. Newswire

August 26, 1996

SECTION: NATIONAL DESK

LENGTH: 4654 words

HEADLINE: Transcript of White House Press Briefing by Mike McCurry

CONTACT: White House Press Office, 202-456-2100

DATELINE: WASHINGTON, Aug. 23

BODY:

... help

MR. MCCURRY: Yes, there are state programs that are available that are helping -- usually run through extension service and others -- that are helping **tobacco** burly **farmers** make conversion to other crops. That's principally what it is.

Q We're asking is he talking about doing something new or something that ...

... I have not heard. I have not heard anything on that. My understanding is that -- there is currently federal assistance for some of the **crop conversion** efforts that the states primarily run.

Q Can you give us a little idea now on the President's preparation

...



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LEVEL 2 - 8 OF 14 STORIES

The Associated Press

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July 21, 1994, Thursday, PM cycle

SECTION: Business News

LENGTH: 631 words

HEADLINE: Agriculture Spending Bill Paves Way for Tobacco Quotas

BYLINE: By ROBERT GREENE, Associated Press Farm Writer

DATELINE: WASHINGTON

BODY:

With their beloved tobacco under assault, senators from Kentucky and North Carolina took Western lawmakers' sacred cow hostage: low-cost grazing fees on federal lands.

By threatening to raise grazing fees, tobacco-state lawmakers won an early fight Wednesday in their effort to use a global trade agreement to restrict tobacco imports.

Sen. Hank Brown, R-Colo., had proposed amending the 1995 spending bill for the Agriculture Department to make sure tobacco growers, and not taxpayers or other farmers, pay the cost of any import restrictions.

The amendment failed on a 63-37 vote, with help from most cattle and farm state lawmakers. The Senate went on to approve the \$ 68 billion spending bill 92-8. The bill must be reconciled with the House-passed version.

"This is the laughing stock of the country," Brown said before the tobacco vote. "How many people believe it makes sense to subsidize a product and then turn around and urge them not to use it? We ought to make up our mind."

But the tobacco senators had another story. They suggested Brown cared more about African, Asian or South American farmers than Americans, said other crops might need similar protection in the future and said Brown was stepping onto turf only tobacco folks could understand.

"It proves that here's an individual who has not grown up in the culture of tobacco, has not grown up in understanding this part of our economic life, has gone to meddling," said Sen. Wendell Ford, D-Ky.

Brown was fighting efforts to put tobacco import restrictions into another bill - one implementing the new world trade agreement negotiated under the General Agreement on Tariffs and Trade.



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That language would let the administration to use Article 28 of GATT to set a prohibitively high tariff on tobacco imports above a fixed quota.

Supporters are taking the GATT route because a trade dispute panel last Friday ruled that significant portions of the domestic content law, part of the budget-balancing bill passed last year, violated the agreement.

The law required all American-made cigarettes to contain at least 75 percent U.S. tobacco and charged fees on tobacco imports above the 25 percent quota.

Under Article 28 of GATT, however, countries that suffer from the restrictions can seek **compensation** through curtailed imports of some U.S. products.

The Agriculture Department estimated when the domestic content bill was being implemented that the restrictions would cost manufacturers \$ 200 million in 1994 alone in higher **tobacco** costs.

In other amendments, the Senate:

-Approved disaster relief for **farmers** and other rural victims of flooding in Alabama, Florida, and Georgia and for other 1994 **crop** disasters in the rest of the country.

-Said no Agriculture Department employee may be reassigned without a hearing because of remarks critical of department policies made while "on personal time."

The amendment, by Sen. Dale Bumpers, D-Ark., overrode an amendment by Sen. Jesse Helms, R-N.C., aimed at protecting an equal employment opportunity manager who was reassigned after he criticized, in a television interview, the department's efforts to protect homosexual rights.

The Helms amendment referred to remarks on homosexuals, while the Bumpers amendment was not specific. Earlier, the Senate approved a Helms amendment forbidding money to be used to promote "special rights" for homosexuals.

-Removed the 100,000-acre cap on additions to the Wetlands Reserve Program, which pays farmers to restore wetlands.

-Allowed the Agriculture Department to continue to consider requests by states or counties to try alternatives to food stamps.

-Continued the controversial Market Promotion Program that critics contend subsidizes the overseas advertising budgets of large food companies.

LANGUAGE: ENGLISH

LOAD-DATE: July 21, 1994



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LEVEL 2 - 10 OF 14 STORIES

Copyright 1993 The Economist Newspaper, Ltd.  
The Economist

July 17, 1993

SECTION: World politics and current affairs; AMERICAN SURVEY; Pg. 25 (U.K. Edition Pg. 43)

LENGTH: 731 words

HEADLINE: Tobacco;  
Armageddon and Appalachia

DATELINE: BUFFALO JUNCTION, VIRGINIA

BODY:

SPEAK ill of tobacco, as Hillary Clinton has a habit of doing, and Virginia quakes. Suggest "sin taxes" on it, and Carlton Coulter, of the Virginia Agribusiness Council, mutters of Armageddon. Virginia is not the nation's biggest tobacco producer -- it ranks fourth behind North Carolina, Kentucky and Tennessee -- but no other state's history is so bound up with the golden leaf. From the earliest days of the former colony, in the early 1600s, tobacco was exported to England and the empire. Notes based on tobacco credits with London merchants were, for a while, the state currency.

Tobacco is now the state's richest cash crop, generating nearly \$ 196m each year. Thousands of jobs depend on it, including 10,000 at Philip Morris's giant cigarette factory in Richmond. In the red clay underbelly of the state, down by the North Carolina border, tobacco farming is almost the only way of life. The area already expects to lose the remnants of its textile industry to Mexico under the proposed North American Free Trade Agreement. According to Kent Hudson, a tobacco-grower-turned supplier in Mecklenburg County, "If they passed this [tobacco] tax, it would make Southside Virginia look worse than the Appalachia."

Mr Hudson, a fourth-generation tobacco-grower, remembers how it used to be, "My daddy had two and a half to three acres that he raised us on, and sent my sister off for five years of college. When he died, he had money in the bank. We did all the work ourselves. Now, to make a living, a whole lot of these farmers have to have a half-million dollars of farm and equipment. It's all borrowed money, too."

He overstates the case. Tobacco farming has never been easy work; but it has its **compensations**. In the 1950s, a grower could count on a profit if he planted ten to 15 acres. Nowadays, although the cost of equipment has climbed and a **farmer** may need ten times as many acres to turn a profit, **tobacco** is still the nation's most lucrative **crop**. Federal price-supports (in effect, limits on production) make sure of that. A tobacco farmer's average gross income is around \$ 3,800 for every acre planted, against \$ 101 for wheat. Instead, American tobacco-growers are pricing themselves out of the market. Brazilian flue-cured tobacco, for example, costs about half as much as its American equivalent.



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Cigarettes are taxed both by the federal government (with an excise tax of 24 cents a pack) and by the states, where the tax ranges from around 10 cents in Massachusetts. The tobacco industry is certain that a heavy federal excise tax -- the talk is of two dollars a pack -- would snuff out more tobacco farms, in Virginia and elsewhere. There are already only 15,000 such farms left in Virginia, down from 25,000 in 1980.

Virginia's towns and cities have also felt the winds of change. Petersburg, which was besieged during the civil war, was battered again in the 1980s by the departure of Brown & Williamson, a cigarette company, for Macon, Georgia. Richmond, where the aroma of tobacco wafts through the city on breezy summer days, has already seen big staff reductions at Philip Morris, and expects more as a result of the slump in the company's share price. But tobacco is still, for the most part, a safe bet. Although cigarette sales are falling at home, exports are booming to make up for that.

Tobacco farmers are not short of help. The government still props up their prices; and is likely to go on doing so, whether or not it imposes swingeing taxes with the other hand. And the tobacco industry retains great power: continuing, for example, to fight, with extraordinary energy and persistence, attempts to link passive smoking to cancer. Cigarette-makers are hoping to mobilise a national network of heavy smokers to resist a tax increase, if it comes. But the industry can no longer count on a generally sympathetic ear in the White House, nor on the past successes of south-eastern politicians in keeping a massive tobacco tax at bay. They are living on borrowed time.

For proof of that, they have only to look at Virginia. The state has joined a growing list of jurisdictions that restrict smoking in public. And this year the governor, Douglas Wilder, vetoed a law that would have protected smokers from "discrimination": in other words, from the growing distaste of Americans for public lighting-up.

GRAPHIC: Graph, no caption; Picture, Just don't bring Hillary here

LANGUAGE: ENGLISH



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LEVEL 1 - 1 OF 50 STORIES

Copyright 1997 International Herald Tribune  
International Herald Tribune

June 24, 1997, Tuesday

SECTION: News; Pg. 3

LENGTH: 800 words

HEADLINE: Sullen Tobacco Farmers: Somebody's Blowing Smoke

BYLINE: By Adam Nossiter; New York Times Service

DATELINE: LUCAMA, North Carolina

BODY:

The tobacco farmer lunged forward, his face red with anger at the latest provocation from Washington.

'Don't get me wrong,' said Billy Bass, a gold tobacco leaf swinging from its chain around his neck. 'Tobacco is bad. I wouldn't tell it any other way. But as long as it's legal, I'll grow it.'

The tobacco farmers here have long felt scorned by outsiders. Each development in the anti-smoking wars is another blow, and in the wake of the wide-ranging settlement announced in Washington last week, the haze of freshly hurt pride was as palpable in eastern North Carolina as the new summer's heat.

The deal left tobacco farmers here in Wilson County, the heart of eastern North Carolina's tobacco country, feeling like agriculture's pariahs. They do not know if the deal will mean fewer cigarette buyers, less money for their crop or even eventual ruin for themselves, but none of a half-dozen farmers interviewed suggested quitting.

'It hurts my feelings, if you want to know the truth,' said Donnie Boyette, who farms 113 acres (45 hectares) near here.

The farmers' houses are surrounded by the plants, already robust and dark green. Their ancestors grew tobacco - Mr. Bass said his family had grown tobacco on the same land since 1741. But they are ambivalent about this lucrative crop.

Most of the farmers volunteered that they did not smoke, did not want their children to smoke and did not want any teenagers to smoke.

They also insisted, vehemently, that they are good, hard-working citizens. In America's tobacco wars, they said, they are at least blameless. In their view, the crop is legal, so if there are ill effects from it, they are not responsible.

'Tobacco farmers are good people,' said Thad Sharp Jr., who lives nearby up Highway 581 in the hamlet of Sims. 'They'd give you the shirt off their back if you had chill bumps.'



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'We're the people that's the salt of the earth, that's paying the taxes,' said Mr. Sharp, whose 200 acres of tobacco provide 70 percent of his net profit, though he grows soybeans, corn and tomatoes on 1,800 additional acres.

He was sitting in an air-conditioned office, saying he was grateful that tobacco had brought him all the way there from a Depression-era boyhood.

'I'm just as good a citizen as I was yesterday,' Mr. Sharp said. 'I have no problem with my conscience.'

The \$360 billion deal notwithstanding, the short-term outlook for these farmers is not all gloomy, said an agricultural economist, Blake Brown.

They are producing more tobacco than 10 years ago, and the huge export market is helping to make up for drastic declines in **domestic** consumption, said Mr. Brown, who works at North Carolina State University.

About 40 percent of flue-cured tobacco, the kind produced here, is exported. Still, Mr. Brown said, the **farmers** are earning less than in the 1970s, as is North Carolina as a whole. **Tobacco** was 46 percent of the state's farm income in 1964, but only 15 percent 30 years later.

To the tobacco farmers, who often refer to the **crop's** historic pedigree, there is something unpatriotic about the tobacco deal.

Why, they ask, should the tobacco companies, and perhaps they, too, have to pay for something so fundamentally American as the exercise of free choice - the decision to buy a pack of cigarettes?

'I think it's legalized extortion, but that's neither here nor there,' Mr. Boyette said.

'You've got a U.S. company marketing a legal product to a public that can buy or not buy it. You, as a free American, choose the pack of cigarettes - that was your choice. Now, we've got to pay for your sickness?'

Mr. Bass said: 'If I was growing marijuana out here, I could understand this. Tobacco put this country on its feet, used to have a lot of support. Now everybody's sold it out.'

LANGUAGE: ENGLISH

LOAD-DATE: June 24, 1997



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LEVEL 1 - 2 OF 50 STORIES

Copyright 1997 The Post and Courier (Charleston, SC)  
The Post and Courier (Charleston, SC)

June 11, 1997, Wednesday, POST AND COURIER EDITION

SECTION: A, Pg. 17

LENGTH: 901 words

HEADLINE: Joining tobacco suit meant to protect the state's growers

BYLINE: Atty. Gen. Charles M. Condon

BODY:

South Carolina editors and reporters have spent a good deal of energy speculating on the wisdom of South Carolina's involvement in the current suit against the nation's tobacco manufacturers. Of necessity, some of this speculation has been uninformed, since the negotiations have been held behind closed doors. Fortunately, the time has come when I can clarify much of the misunderstanding that has arisen over this issue.

Let me make three points:

First, we did not - as some have suggested - enter the suit merely to "pile on" the tobacco industry. We were interested in protecting South Carolina citizens, and particularly the tobacco growers who - until we filed suit - had no voice at the table.

As a matter of fact, the position paper we submitted specifically and exclusively addressed the plight of tobacco farmers, who neither deceived the public about the harmful effects of smoking nor attempted to hook young people on the habit.

Here is what we proposed:

Currently, the tobacco growers of South Carolina maintain their own "stabilization program" by contributing to a fund that guarantees a fair market price for their **crop** each year. The settling companies should wholly support this program in the future by an annual contribution equal to what the **farmers** now contribute.

The settling companies should agree to buy exclusively from American **tobacco** growers until the **domestic crop** is exhausted. Only then should they purchase from foreign vendors. Also, tobacco poundage should not be reduced below the 1997 level.

One percent of the settlement should be allocated to states that produce cigarette **tobacco**.

We recommended that these funds be administered by "Groups composed of **farmers** and other concerned citizens" who would "develop an allocation plan for the use of received funds." We suggested the following formula:



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Thirty percent for basic farm development (for example, the purchase of new equipment and other improvements), which might be disbursed in the form of matching grants or low-interest loans.

Twenty-five percent for matching grants or low-interest loans for strategic farm development - that is, the development of new sources of income to replace income currently derived from tobacco farming.

Ten percent for the development of value-added enterprises off the farm - for example, processing plants and distribution centers.

Twenty-five percent for tobacco quota retirement credits in the event the federal government reduces the tobacco quota for farmers. Farmers could use these credits as matching funds for basic or strategic farm development, as outlined above.

Ten percent for administration, research and marketing. Farmers could use this portion of the settlement to fund grants to market crops and products that are produced locally.

A second point: The attorneys we hired will not be paid from funds that would otherwise have gone to the state or to private citizens. Long before we entered the suit, the tobacco companies had agreed to pay attorney's fees - and to do so out of funds separate from the \$ 300 billion to \$ 375 billion package reserved for the settlement.

Our participation simply meant that lawyers from other states would get a smaller slice of the separate pie and not that the state of South Carolina or its citizens would receive less money. In effect, the companies were paying damages plus legal expenses - a common practice in civil suits.

And third, our participation in this suit did nothing to injure the tobacco industry. The amount the manufacturers agreed to put on the table remained unchanged after we filed. By doing so, we simply insured that our tobacco farmers had a voice in the negotiations and that South Carolinians got a slightly larger piece of that substantial pie.

I believe it's important to make a distinction between the tobacco manufacturers and the industry as a whole. The industry includes farmers as well as companies like Philip Morris. As the negotiations developed, we got the distinct impression that the manufacturers weren't enormously concerned with the welfare of the farmers. So we asked to come to the table as an interested party.

When we were told that only suing states would be allowed, we sent the manufacturers a letter, giving them one last chance to welcome us aboard. When most refused even to respond, we sued. The choice was really theirs, not ours.

South Carolinians in general, and tobacco farmers in particular, must realize that we are fighting a rear-guard action to protect our interests. An overwhelming majority of the 50 states have no reason to protect either tobacco growers or manufacturers.

As a matter of fact, some participants in these discussions would love to



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wipe out the industry completely if they could. That's why we had to be there - to prevent a deal that would inflict significant damage on the state's economy.

Though the negotiations are still going on, we now have reason to believe that we've made substantial progress. We fielded an experienced team to battle for us in this high-powered arena.

They represent every section of South Carolina and both political parties. Because of their diligence and competence, tobacco farmers now have a voice in the discussions.

We're confident that if and when there's a settlement, the state of South Carolina and its citizens will be among the big winners.

GRAPHIC: PHOTO; B&W mug of Condon

LOAD-DATE: June 12, 1997



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LEVEL 1 - 6 OF 50 STORIES

Copyright 1997 The Florida Times-Union  
The Florida Times-Union (Jacksonville, FL)

April 7, 1997 Monday, City Edition

SECTION: NATIONAL/INTERNATIONAL; Pg. A-1

LENGTH: 1405 words

HEADLINE: New threats loom for farmers;  
Tobacco growers worry about when legal smoke clears

BYLINE: Teresa Stepzinski, Times-Union staff writer

BODY:

Chase Grantham is following in his father's footsteps down a long hard row.

A frown of concentration melted into a shy smile of satisfaction Thursday as the 8-year-old Coffee County, Ga., boy placed a tobacco seedling in a hole he punched in the rich sandy soil of the third-generation family farm.

Scrambling to his feet, Chase dashed between the freshly turned furrows to catch up with his father, Van Grantham, as he walked the 35-acre field in the dust behind a mechanized tobacco planter.

Grantham slowed his stride, then patted his son's shoulder as they looked for empty spots in the furrows where the planter failed to deposit a broadleafed sprout.

'I'm not advocating smoking. I wouldn't want my children to smoke. I don't smoke,' Grantham said. 'My livelihood is farming. Tobacco is my No. 1 cash crop. It feeds my family, pays my bills and taxes . . . and hopefully, it will help ensure a better life for my children.'

Bad weather, insects and blight are old foes for Grantham and other South Georgia family farmers whose fields are the lifeblood of the state's tobacco industry.

But new threats loom, the farmers say.

Multiplying product liability lawsuits against cigarette manufacturers have fostered a negative public perception of tobacco farmers, many growers and agriculture officials say.

The latest court battle begins today in a state courtroom in Jacksonville. Three children of a longtime smoker who died in 1995 at age 49 are suing R.J. Reynolds Tobacco Co., the nation's second-largest cigarette maker. The company could be hit with a huge punitive damage award, the first in tobacco litigation.

The farmers also worry when the legal smoke clears, their children and grandchildren will reap a bitter harvest of tighter government regulations and dwindling tobacco prices that will force them to abandon their heritage along



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with their land.

'We're not out to poison anybody or shorten anybody's life,' said Larry Downing, a former smoker who is a third-generation tobacco farmer in Lowndes County.

'Smoking is a choice, an adult decision, not one for children,' Downing said. 'If you choose to do it, there is the risk it will shorten your life. It is the chance you take.'

As tobacco planting season reached its peak last week, many South Georgia farmers kept up with the cigarette controversy through news reports when they weren't in the fields.

'Right now, smoking is a political football,' Downing said 'You have to take all the talk with a grain of salt. Most of it is just politicians talking. It can be depressing and frustrating if you let it get to you.' STATE CASH CROP

Tobacco, farmers say, is a fragile plant susceptible to bugs and disease. It also is a profitable crop; it makes a lot of money for a small amount of land used, farmers say.

Tobacco was the third largest cash crop produced last year in Georgia, following cotton and peanuts, say Georgia Department of Agriculture officials.

Georgia farmers harvested 46,000 acres of tobacco in 1996, which resulted in a total production value of \$ 205 million, said Larry E. Snipes of the Georgia Agricultural Statistics Service.

Tobacco is not a major crop in Florida, said Bob Blankenship of the Florida Department of Agriculture. Florida farmers devoted only 7,500 acres to tobacco last year.

Harvesting almost 114 million pounds, Georgia ranked fifth in the nation last year in total tobacco production following North Carolina, Kentucky, South Carolina and Tennessee, Snipes said.

Georgia Agriculture Commissioner Tommy Irvin said virtually all of the state's **tobacco** is grown on family-owned **farms**. Although most **farmers** also grow other **crops** such as cotton, peanuts, corn or wheat, **tobacco** remains their primary moneymaker, he said.

Most of Georgia's tobacco -- at least 65 to 68 percent -- is exported overseas, agriculture officials said.

'**Domestic** consumption has leveled out over the past few years, but our exports worldwide have increased substantially,' Irvin said.

Last year was the best year for tobacco production in state history, Irvin said.

By the end of last week, about 20 percent of the state's 1997 tobacco crop had been planted, he said. The remainder should be planted within a week to 10 days, depending on the weather.



'We're off to a good start this year. If the weather holds fair and barring insect infestation and disease, we could have another record year,' Irvin said. DEEP ROOTS

Coffee County, population 29,592, was the second-largest tobacco producer in the state last year, according to Rick Reed, county agricultural agent.

To the southwest, Lowndes County, population 75,981, was the fourth-largest producer in the state, said Jimmy Land, county agricultural agent.

Most farmers in the two counties can trace their roots in the land back at least two generations, county officials said.

Downing, 53, plants 50 acres of tobacco on the farm he operates with his 51-year-old brother, Bill Downing, near Valdosta, Ga., in western Lowndes County. The brothers also grow cotton and peanuts.

Grantham, 40, also has dedicated 50 acres to tobacco. He also grows cotton, peanuts, wheat, corn and vegetables and raises broiler chickens on his farm located near Douglas, Ga., in Coffee County.

Larry Downing has been farming 25 years, while Grantham has been doing it 22 years. Both were about 8 years old when they began helping their fathers in the fields.

Downing and Grantham say they deeply love farming -- a highly regulated business that often requires them to spend 12 to 14 hours a day in the fields. Their wives and children also help with farm operations.

'I stay in because it's in my blood,' Grantham said. 'Farming is the only thing I've ever done. It's the only thing I enjoy doing.' RISKY BUSINESS

Tobacco farming is a specialized and expensive business, Downing and Grantham said.

'It's like a roll of the dice,' Downing said. 'You live crop to crop.'

The men said the money they make selling tobacco is their farms' main income.

'It gets scary when you sit down and think about it,' Downing said. 'Once you get into it, you get so much money invested in the equipment and plants that the only way you get out is if the banker sells you out or you die.'

A tobacco combine costs a minimum of \$ 90,000 to \$ 100,000; a barn runs \$ 15,000 to \$ 20,000 to build; an irrigation system costs at least \$ 25,000, not to mention a water pump, which costs about \$ 15,000, Downing said.

'Most of the equipment is so specialized that it can't be used for anything but tobacco farming,' Downing said.

Tobacco seedlings cost about \$ 23 per 1,000; many farms use about 7,000 per acre, Grantham said.



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Grantham also said property taxes, wages and insurance for hired farm workers also take a sizable chunk out of the farm budget.

'One bad year, and you can lose everything,' he said. 'If I lose my tobacco crop, it affects me for years down the road. But if I lose my income from tobacco, I'd probably have to quit farming.'

Many farmers have decided the gamble is not worth the risk, Downing said.

'Twenty years ago, everybody living along our road farmed or rented out their land for farming. There were about 25 other farms beside ours. Now there are only three besides us left farming,' Downing said.

Farmers aren't the only losers when a tobacco crop fails, said Land, Lowndes County's agricultural agent. Businesses in the community such as groceries, gas stations and shops also feel the pinch, he said. 'The farmer's taxes help keep our schools open and roads paved.' **UNCERTAIN FUTURE**

Chase Grantham wants to be a farmer.

'I want to be out here. I like being with my daddy,' he said.

Chase and his 5-year-old brother, Chan, have ridden with their father in his tractor since they were toddlers.

'My father didn't want me to follow in his footsteps. He wanted me to get a college degree and have a better life,' Grantham said. 'But I have no regrets. I've always loved farming.'

Grantham said he hopes his sons will take over the farm when he retires.

Downing plans to remain in farming, although he admits he sometimes thinks about quitting. He also said that he would not encourage his 25-year-old son, Kevin, or 23-year-old daughter, Melinda, to take up farming, but will support whatever choice they make.

'There are a lot better and easier ways to make a living,' Downing said.

GRAPHIC: Staff Chart: (b/w) 1996 GEORGIA TOBACCO CROP

Total acres harvested: 46,000.

Yield: 2,470 pounds per acre

Total yield harvested: 113,620,000 pounds.

Price per pound: \$ 1.81.

Total value of production: \$ 205 million. Source: Georgia Agricultural Statistics Service Jetta Fraser/staff Photos: (c) 1. Van Grantham (left) digs a hole so that his 8-year-old son, Chase, can plant a tobacco seedling. 'I'm not advocating smoking. I wouldn't want my children to smoke. I don't smoke,' Grantham said. 'my livelihood is farming.' 2. Van Grantham, holding a tobacco plant, has dedicated 50 acres to tobacco. He also grows cotton, peanuts, wheat,



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corn and vegetables. 3. With one person operating the tractor, four others plant tobacco for Van Grantham in Coffee County, Ga.

Illustration: Chart; Photo

LANGUAGE: ENGLISH

LOAD-DATE: April 08, 1997

LEVEL 1 - 8 OF 50 STORIES

Copyright 1996 The News and Observer  
The News and Observer (Raleigh, NC)

August 16, 1996 Friday, FINAL EDITION

SECTION: EDITORIAL/OPINION; Pg. A20

LENGTH: 273 words

HEADLINE: Tobacco realities

BODY:

According to the Journal of the American Medical Association, North Carolina and five other major tobacco-growing states would lose about 300,000 jobs if Americans stopped smoking. Restrictions proposed by the Food and Drug Administration would discourage consumption or eliminate tobacco use altogether.

The AMA, EPA, and other agencies will not rest until all the tobacco farmers in North Carolina, Kentucky, South Carolina, Virginia, Tennessee and Georgia are deprived of their legal livelihood. Prohibition of the use of tobacco will be about as successful as the prohibition of alcohol was some 60 years ago.

Tobacco today is being increasingly grown overseas and exported to this country in competition with **domestic** growers. This foreign supply would ultimately replace all U.S. **tobacco** now being grown. Southern **farmers** would be forced to the unemployment and welfare rolls.

There is no single legal **crop** that would produce as much revenue per acre as **tobacco**. The suggestion that **tobacco farmers** could and should grow alternate **crops** is ridiculous.

Of course **tobacco** is addictive. Nearly everyone recognizes this fact except the tobacco company owners who were made to look like idiots before a congressional committee hearing. Is it the intent of the federal government to outlaw all legal addictive products? What about alcohol, caffeine and chocolate? Why just tobacco?

There are warnings on all tobacco products. If people choose to smoke and their choice does not offend nonsmokers, then they should be allowed to do so with no governmental interference and no public condemnation.

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BEN GRANTHAM

Carrboro

LANGUAGE: ENGLISH

LOAD-DATE: March 9, 1997



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LEVEL 1 - 10 OF 50 STORIES

Copyright 1996 The Journal of Commerce, Inc.  
Journal of Commerce

July 5, 1996, Friday

SECTION: EDITORIAL, Pg. 7A

LENGTH: 829 words

HEADLINE: LIMITED FREEDOM TO FARM

BYLINE: DENNIS T. AVERY

DATELINE: CHURCHVILLE, Va.

BODY:

Freedom to Farm, the legislation signed into law earlier this year, is the most sweeping change in U.S. farm programs in 60 years. It has freed U.S. farmers from the old acreage allotments, and just in time to help meet growing food and meat demand in the Pacific Rim countries.

But even this historic reform hasn't given our farmers all the "freedom to farm" they will need. The so-called minor crops - peanuts, sugar and tobacco - were left out of the new farm bill. Farmers still need federal "licenses" to grow and market these crops.

So, unfortunately, the United States still has trade barriers in place to protect these minor **crops** and their subsidies. There are tight controls on imports of peanuts and sugar to protect **domestic** prices and a government-sponsored cartel for **tobacco** growers.

Those trade barriers could wreck the effort to get international **farm** trade liberalized under the World Trade Organization.

Densely populated countries such as India and China are using our farm trade barriers to justify their farm import barriers and their pursuit of expensive food self-sufficiency. Without WTO farm trade reform, the rest of the United States' vast agriculture infrastructure will stew in its own rising productivity.

For years, the U.S. peanut program has discouraged both domestic peanut consumption and exports. Production was deliberately limited to satisfy only the highest-priced existing markets. U.S. food use of peanuts has dropped 10 percent since 1990, snack food peanut use has dropped 31 percent, and peanut butter (the biggest chunk of the market) has fallen 19 percent.

Peanut exports have been an afterthought. But in countries like India, where people don't eat much meat, peanut butter should be a natural addition to their diets. The potential for Asian peanut product exports is huge, and U.S. peanut growers have a quality edge - the world's lowest levels of aflatoxin, a potent natural carcinogen produced by a mold.



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Now, the peanut program is forcing its own growers to commit economic suicide. The Uruguay Round trade agreement requires the United States to permit the import of at least 3 percent of our consumption of any food, including peanuts. The peanut law requires the quota to be cut back each year by the amount of the imports.

How many years will it be before the shrinking U.S. peanut quota will mandate that all our peanuts be imported?

For decades, the federal government also has tried to aid the small farmers who produce tobacco. But today a government tobacco program simply draws additional fire from anti-smoking activists. In addition, the paradox of rising health care costs and government support for the tobacco industry may soon produce a negative backlash among voters.

Ironically, the Asian tobacco market is booming. In China alone, cigarette sales have tripled to 1.7 billion pieces per year. If the world's farm trade rules were liberalized, U.S. farmers would be able to help supply whatever level of tobacco Asia chooses to consume.

American tobacco is regarded as the best in the world. There's no need for federally sponsored payments to tobacco growers and certainly no need for a government-sponsored tobacco-growers cartel.

And then there's the U.S. sugar program, which has locked the country into high sugar prices. Corn sweeteners have taken more than half the market and all the market growth. That's why all of our soft drinks and most of our canned and frozen foods are now sweetened with high-fructose corn sweetener instead of sugar. (If you really want classic Coke, buy it in Canada.)

U.S. beet sugar producers are planting less acreage than they did 20 years ago, and are nervously awaiting a dry high-fructose product that would take cake mixes and the rest of the market. However, they farm some of the world's best cropland and could earn high returns selling grain and meat to Indonesia and China if farm trade were liberalized.

The future of U.S. cane sugar production is largely tied to the Everglades and the question of whether cane sugar production is or is not destroying the Everglades' ecosystem.

The real problem: Minor crops subsidies, which offer questionable benefits to a few thousand farmers, could block the future for the rest of American agriculture.

Agriculture, and the industries related to it, employ nearly 20 percent of the U.S. work force. With free trade, those industries should become the nation's fastest-growing job creators. Without free farm trade, they will shrivel and decline even if the world does add another 3 billion affluent consumers.

The growers of peanuts, tobacco and sugar must be cut loose from their federal subsidies for the sake of millions of rural Americans and the nation's trade balance.



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However, they should get reasonable buyouts of their investment in acreage allotments. They should also find lucrative earnings in a world market that is set to multiply its farming demands.

EDITOR-NOTE:

Dennis T. Avery is editor of the Global Food Quarterly, published by

LANGUAGE: ENGLISH

LOAD-DATE: December 13, 1996



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## LEVEL 1 - 14 OF 50 STORIES

Copyright 1996 The New York Times Company  
The New York Times

May 30, 1996, Thursday, Late Edition - Final

SECTION: Section D; Page 1; Column 2; Business/Financial Desk

LENGTH: 1685 words

HEADLINE: On Tobacco Road, A Generation Gap;  
Young Farmers Are Questioning The Future of a Lucrative Crop

BYLINE: By GLENN COLLINS

DATELINE: BROWNS SUMMIT, N.C.

BODY:

Luke Lambeth eyed the neat rows of tobacco shoots on his 150-acre farm and ventured an up-to-the-minute assessment of job security on Tobacco Road. "This life was a lot more stable for my grandfather," he said. "But now you have to think ahead. Because you just don't know how long the tobacco is going to go."

To be sure, the rangy, 32-year-old Mr. Lambeth, a third-generation tobacco farmer, is optimistic about 1996. Despite a late start after a harsh winter and a wet spring, he hopes to have a good crop and fetch an equally good price.

But "you never know when your livelihood won't be there," he said. "That's my worry. Because I owe everything I own to tobacco."

Tobacco farmers have often been stereotyped as a monolithic group. But there are deep, generational divisions in tobacco country, where farmers have recently transplanted seedlings from their greenhouse beds into rows in the ground.

The older farmers in this tradition-rich industry seem able to shrug off the assaults on the \$45-billion-a-year domestic tobacco business -- the intense regulatory scrutiny; the threat posed by cheap tobacco from Brazil and Africa; the attacks by lawyers and health groups, Congress and the White House.

Younger farmers, though, are more concerned than ever that their way of life is coming to an end -- and with it the fast-vanishing family-farm ethos that was a cornerstone of the rural South.

"There is a generation gap," said Ferrell Guillory, a fellow at MDC Inc., a nonprofit economic development research company in Chapel Hill, N.C. It is the younger farmers, he said, who "are going to have to manage the transition to the future."

The dismissal last week of a giant class action lawsuit that threatened the solvency of cigarette companies barely lightened the load. "We don't hear much good news, so that court case is an encouragement," Mr. Lambeth said. "But it's not going to make any difference to us growers. The companies will still only pay us a nickel a pack for our tobacco."



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That kind of skepticism is just one of the traits that distinguishes the younger generation. According to the first national study of tobacco farmers, younger and older farmers hold quite different views about the long-term uncertainties of tobacco, the need to diversify their crops, and the trustworthiness of American cigarette manufacturers.

The generation gap is especially apparent here in the state that grows two-thirds of the nation's flue-cured tobacco, the heat-dried, golden-hued "bright leaf" that is the aromatic heart of American cigarettes.

Younger farmers in North Carolina "view tobacco as a way of life that may not continue, but they want to stay in it as long as they can," said Rick Apple, 38, who grows 100 acres of tobacco with his father.

But older farmers take a less fatalistic view. "There has been some fight or other about tobacco all my life, and I'm not about to throw in the towel," said Bruce L. Flye, at 63 a third-generation farmer in Battleboro, N.C. Mr. Flye makes half his income from 85 acres of tobacco and the rest from 1,115 acres of cotton, corn and peanuts. "Tobacco has been here since the 1600's and will continue to be," he said.

"But younger farmers are really concerned," said Mr. Flye, president of the Flue-Cured Tobacco Cooperative Stabilization Corporation, a grower-supported group that helps administer the Federal quota program that prevents boom-and-bust price swings for growers. "The young ones have more anxiety. Their future is at stake."

Indeed, about two-thirds of tobacco farmers under 45 say they have undertaken money-making ventures to supplement tobacco growing, according to the tobacco study, conducted by the Bowman Gray School of Medicine at Wake Forest University in Winston-Salem, and the Center for Sustainable Systems in Berea, Ky., a nonprofit organization that studies rural development.

The study, of 992 farmers in six states, was completed last fall. The ages of those surveyed ranged from 20 to 70, and a quarter were under 50.

"I have learned that there is life after tobacco," said Mr. Apple, whose ancestors began tobacco farming in the 1700's. Breaking with tradition in 1980, Mr. Apple began growing flowers and ornamental trees in a single greenhouse, grossing \$4,000. Now, along with his tobacco, Mr. Apple and 20 year-round employees grow flowers and ornamentals in 30 greenhouses and on 12 acres. His thriving garden center, A & A Plants Inc. in Browns Summit, had 1995 sales of \$1.2 million.

According to the study, almost twice as many younger farmers as older ones have increased their income from crops like flowers and ornamentals in the last five years. Indeed, tobacco farmers are supplementing their income with everything from alfalfa-growing to chicken-raising and hog-farming.

But Richard Jenks, whose family has been tobacco farming "since the beginning of time," was one of the older farmers who insisted that diversification was no panacea.

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"We have about 10 acres of strawberries in our community," Mr. Jenks said of Apex, N.C., where the 59-year-old farmer grows 16 acres of tobacco. "But if everyone starts planting, you won't be able to give those strawberries away."

He added, "Tobacco, it's the only thing pays the bills." Farmers' profits last year amounted to as much as \$1,000 an acre for tobacco, far more than crops like corn (\$150 an acre), soybeans (\$100) or peanuts (\$300).

As a state, North Carolina is far ahead of its tobacco farmers: it long ago diversified and enjoys a 4 percent unemployment rate despite the loss of thousands of tobacco- and textile-related jobs. As recently as 1964, tobacco was a keystone of the economy, accounting for 46 percent of the state's cash farm income. By 1994, that had declined to 15 percent.

Despite that decline, tobacco pumps about \$1 billion a year into North Carolina's economy. Farmers here still call it the golden leaf, a single, high-value **crop** that keeps them on the farm.

But "tobacco is in a slow-motion decline," said Mr. Guillory, the economic development researcher. Despite near-record profits for cigarette makers, the **tobacco** sector of the **farm** economy continues to shrink along with **domestic** cigarette consumption. Nationwide, 674 million acres were planted in 1995, down 10 percent from 1993.

"If farmers knew the international realities, they'd want to get out of the business," said Dr. David G. Altman, an associate professor at Bowman Gray who helped conduct the study of farmer attitudes. "They are living in the past, and the floor is going to drop out beneath them."

That prospect might cheer the growing anti-tobacco forces in a nation where, by Food and Drug Administration estimates, smoking causes 420,000 premature deaths a year. Anti-smoking groups have excoriated them, but tobacco farmers, young and old alike, are overwhelmingly united in wanting to carry on their agricultural heritage.

"It is a legal crop," said Steve Troxler, a 44-year-old farmer who grows 110 acres of tobacco in Browns Summit. "Yet people call us names, they label us pushers. That upsets me more than anything else, because tobacco was a thing of pride. The government gets a lot from tobacco taxes, and tobacco produces plenty of employment."

He added: "The attacks on us are based on ignorance and hypocrisy. They don't know who we are. They don't know how hard we work. Tobacco farmers are the pillars of the community. This is the greatest life style in the world for raising kids and keeping a family together."

Still, the study found that younger farmers are more willing than their elders to acknowledge smoking's risks: 64 percent of the farmers under 45 agreed that smoking is harmful, versus just 47 percent of the farmers over 65.

Nor is their intergenerational agreement among the farmers about the good will of America's cigarette makers. These days, the study found, older farmers like Mr. Flye are more likely to be sympathetic. They "supported us, buying the surplus," he said, referring to a crisis in 1994, when the companies agreed to buy hundreds of millions of pounds of surplus tobacco that had accumulated under



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the Federal price stabilization program, which celebrates its 50th anniversary June 1.

But 80 percent of the farmers said the purchase of foreign tobacco by American manufacturers was a grave threat to their future, and younger farmers are more outspoken on the subject. Mr. Apple, a former president of the North Carolina Tobacco Growers Association, called the companies' actions "shameful."

He added: "They continually raise their wholesale prices, but they have told the growers to lower their prices. They gave Brazil and Zimbabwe the technological know-how to produce better tobacco because it will increase the supply and lower the price."

Mr. Lambeth, whose license-plate holder reads "Tobacco Pays My Bills," went further: "The companies want to keep us where we barely get by. The only time they go down on their knees to us is when they want us to go to Washington. And that's not right."

The companies are used to criticism from farmers. "Sometimes growers are mad at us, but we are all in this thing together," said Nat Walker, a spokesman for the R. J. Reynolds Tobacco Company. He spoke of the growers' and manufacturers' "interdependence," and cited the company's \$1 billion investment in its modern Tobaccoville plant near Winston-Salem as evidence of the company's commitment to North Carolina. Tobacco companies, however, "have to be competitive offshore, and price has an impact on that."

For now, once again, as tobacco reaches toward the North Carolina sun, the future seems only as long as a season. Mr. Troxler, when asked about what lies ahead, is wary. "In all probability this summer will be too something," he said. "Too hot. Or too wet. Or too dry. Or too cold. Because something always comes along."

But Mr. Flye, when asked to prognosticate, summoned up the optimism of his years. Tobacco "is a weed, a golden weed," he said, in a phrase certain to dismay the tobacco critics, "and weeds are hard to kill."

GRAPHIC: Photo: Luke Lambeth, 32, a tobacco farmer from Browns Summit, N.C., whose license-plate holder reads "Tobacco Pays My Bills," worries about his farm's future and is critical of cigarette manufacturers. (Rob Amberg/Impact Visuals for The New York Times) (pg. D1)

Graph: "Different Outlooks"

A study found that younger tobacco farmers hold more negative views of their industry than do their elders. Graph outlines some of the survey's questions and responses. (Sources: Bowman Gray School of Medicine, Wake Forest University; Center for Sustainable Systems, Berea, Ky.) (pg. D1)

Map/Graph: "A Declining Industry" tracks U.S. share of worldwide tobacco production from 1970 through 1995. Map shows areas in the U.S. where tobacco is farmed. (Source: Department of Agriculture) (pg. D4)

LANGUAGE: ENGLISH

LOAD-DATE: May 30, 1996



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LEVEL 1 - 22 OF 50 STORIES

Copyright 1995 The Dayton Daily News  
The Dayton Daily News

August 26, 1995, SATURDAY, CITY EDITION

SECTION: NEWS, Pg. 9A

LENGTH: 301 words

HEADLINE: RIPLEY CELEBRATES WITH TOBACCO FEST

BODY:

RIPLEY (AP) - In this Ohio River tobacco farming town, they are celebrating the regional economic virtues of their product. Fifty miles to the northwest, Cincinnati health authorities are touting smoking bans in many buildings.

The annual tobacco festival in this village of 1,800 people hit full stride Friday with a parade, the same event that last year featured chain-smoking Cincinnati Reds owner Marge Schott as grand marshal. The four-day festival, which began Thursday, attracts about 50,000 people each year, village tax collector Kim Pfeffer said Friday.

More than 60 percent of the 19 million pounds of tobacco grown in Ohio each year is harvested in Brown County and neighboring Adams County. Without tobacco, both counties would lose up to 35 percent of their annual income, said John Grimes, Brown County agricultural extension agent.

"I don't think the average person understands the economic importance of this," said Grimes, whose family has grown tobacco for years. "Farmers don't see themselves as drug pushers. To them, it's just a cash crop."

Tobacco remains a profitable crop, despite a steady decline in the domestic cigarette market. The average income per acre of tobacco is about \$ 4,600, compared with \$ 250 per acre of corn.

In 1986, Cincinnati enacted one of the first municipal health ordinances restricting smoking in most public places. It prompted protests.

But since then, many businesses have embraced the concept and banned smoking within their premises, city Health Commissioner Malcolm Adcock said.

Opponents predicted smoking restrictions would prompt businesses to move elsewhere, but that did not happen, Adcock said.

The law provided a \$ 100 fine for a first violation and up to a 90-day jail term for second and subsequent offenses.

LOAD-DATE: August 28, 1995

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LEVEL 1 - 24 OF 50 STORIES

Copyright 1995 The Durham Herald Co.  
The Herald-Sun (Durham, N.C.)

July 16, 1995, Sunday

SECTION: Durham; Pg. B1

LENGTH: 974 words

HEADLINE: Drying leaf smells like money Growers say blue mold may cut yield of this year's crop

BYLINE: MARK TOSZAK The Herald-Sun

BODY:

OXFORD -- The sweet scent of burley tobacco wafted from the piles of dried leaves laid out in rows from one end of the Farmers Warehouse to the other.

"That's the smell of money," said Roy Crews, a semiretired tobacco farmer and warehouse operator.

Crews, whose sons Jimmy and Sam now handle the bulk of the work in the family's fields and warehouse, estimated that more than 100 tons of dried tobacco sit in the warehouse, ready for the annual auctions that begin Wednesday. All of the leaf now there is surplus left over from last year. As it's sold, farmers will haul in more.

About 8,000 acres of tobacco are cultivated in Granville County, said Agricultural Extension Agent Tommy Brooks. It is by far the most important agricultural product in the county.

Over the next few months those acres will be harvested, dried in barns and carted to one of four warehouses around Oxford to be sold to tobacco companies in warehouse auctions.

Heavy rains in June damaged tobacco crops in many parts of the state and provided ideal conditions for hostile fungi such as blue mold and target spot.

"Our yields probably will be off a little bit," Brooks said. "It just depends on the roll of the dice."

Granville County farmers have been relatively fortunate. "I think we're in the best area [for tobacco] ," Crews said.

Brooks expects blue mold to cut yields by 1 percent to 2 percent from what they would have been without the fungus, and target spot to cut them by 4 percent to 5 percent. Brooks and farmers say that if the weather doesn't get too hot and too rainy, tobacco crops will be average for most farmers. A few have been hit hard by the water and by fungal infections, while others will have above-average yields. "Some growers weren't able to harvest the lower leaves as early as they needed to," said farmer Danny Williams. In addition to about 125 acres of tobacco, Williams also grows wheat.



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He doesn't expect much profit from grain this year, but he's optimistic about his tobacco. "We're looking to have a pretty good year," he said.

"We've still got the potential for some crops to be as good or better than last year," Williams said. "On our heavier clay land we've still got a real good crop."

A just-right mix of sunshine and rain showers is vital for maximum yield. "We're about to get to the point where we could stand another shower," Brooks said.

Though farmers have started harvesting their crops, they will continue until the end of the summer. The weather for the next several weeks is as critical as the weather over the past several.

Like many Granville farmers, Williams also has leaf left over from last year. "Demand should be real strong for that old [tobacco] -- I call it our '94 model."

Last year's harvest produced large amounts of high-quality tobacco, the best the county has seen in several years. It's just the kind of tobacco foreign markets crave.

"The new **crop** of tobacco is probably going to lean more toward the **domestic** market," Williams said.

The piles of dried **tobacco**, loosely wrapped in burlap, that fill the Crews family's **Farmers** Warehouse weigh from 150 to 250 pounds apiece. Depending on its quality and manufacturers' needs, the tobacco will fetch between \$ 1.40 and \$ 1.80 per pound, Crews said.

Only a portion of the tobacco stored in the warehouse will be sold on any given sale day. Wednesday's opening day sale at the Farmers Warehouse will begin at 1 p.m. It will be the third tobacco sale of the day in Granville County.

N.C. warehouse owners get a 2.5-percent commission on all sales made. That rate hasn't changed for a long time.

"Basically since 1800, a warehouse auction's been the same," Crews said. The Farmers Warehouse has been owned by the Crews family for six years but was built sometime in the 1940s, as best Crews can recall. Of course, the tobacco used to arrive in horse-drawn carriages instead of on the backs of trucks, and the political climate for tobacco was friendlier.

Attacks from politicians and health care groups, and the taxes imposed on tobacco, worry those who make their living from the leaf -- but not too much.

"It's the backbone of agriculture here in this state," Williams said. "I feel like the mood of the whole country was expressed last November."

Williams likes the Republican Congress' anti-regulation efforts. "I think we've got folks in office now who are more realistic," he said.

Crews lays attacks on tobacco at the feet of politicians. "I think the whole



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thing is a few people in Washington who want to get their name in front of people," he said.

Signs of loyalty to the golden leaf abound in Granville County -- from the "Pride in Tobacco" signs that dot mailboxes and barns to the annual Tobacco Heritage Celebration coming up Tuesday. Even the Granville County Chamber of Commerce's monthly newsletter is called "Bright Leaf."

On the wall of the warehouse, above the U.S. Department of Agriculture poster warning against sexual harassment, is a metal sign provided by the now-defunct Tobacco Growers Information Committee. Written with a felt-tip marker is a number that Crews points out to a visitor: \$ 2,494,183.

That's the amount of excise taxes that will stream from the tobacco that will be sold in the Farmers Warehouse Wednesday. Farmers, Crews said, will net about \$ 200,000 from that same sale.

Sitting on a pile of golden-brown leaves, puffing on a cigarette in the hot, still air of the warehouse, Crews admits that attitudes about tobacco aren't the same as they once were.

"There'll be changes," he said. But he also raised his two sons on tobacco money, and they are raising their families on the same. The golden leaf has been good to Crews, and his allegiance to it is strong.

"As long as there's a country there's going to be tobacco," he said.

LOAD-DATE: July 18, 1995



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LEVEL 1 - 27 OF 50 STORIES

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The Washington Times

April 24, 1995, Monday, Final Edition

SECTION: Part NATIONAL & WORLD AFFAIRS; NATION: REGULATION; Pg. 14

LENGTH: 2497 words

HEADLINE: Feds and Smokers Fume Over the Right to Inhale

BYLINE: Hank Cox; INSIGHT

BODY:

SUMMARY: The billion-dollar tobacco industry has taken some tough hits recently from Congress and the medical community, among others. But would smoking prohibitions really be good for the country's health?

TEXT: In February, Cindy Gilmer flew from Starkville, Miss., to the nation's capital to testify before the Occupational Safety and Health Administration. The experience, she said later, was a "real eye-opener."

Gilmer owns and operates a billiards hall, the sort of establishment in which smoking is de rigueur. OSHA wants to outlaw smoking in the workplace, including restaurants and pool rooms. "You can't just throw a blanket over business and treat us all the same," says Gilmer. "A lot of us do not need, and certainly cannot afford, to spend \$10,000 on a separate smoking room. It just doesn't make any sense."

Even as the Clinton administration championed a hefty 75-cents-per-pack tax increase on cigarettes to fund health care reform, Congress was publicly chastising tobacco executives. Last April, Rep. Henry Waxman, a Democrat from California and then-chairman of the Energy and Commerce subcommittee on health and the environment, seemed to revel in the role of righteous avenger as he grilled the heads of the six leading tobacco companies. The antismoking drive had kicked into overdrive.

In February 1994, for example, McDonald's Corp. banned smoking in all of its 11,000 restaurants, prompting other restaurant chains to follow suit. Within days, the Department of Defense imposed a worldwide ban on smoking at military bases. The same month, the Food and Drug Administration began to consider classifying nicotine as a regulated drug.

The antismoking lobby and the tobacco industry was headed for a major legislative showdown when the November election ushered in a conservative landslide, ceding control of key House committees to Republicans, who are less interested in regulating behavior by legislative fiat. "The biggest setback was an end to the investigation," an aide to Waxman tells Insight. "The tobacco industry had agreed to surrender all internal documents relating to health effects. Now we'll never see them."



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The recent shift in tobacco's fortunes in Congress was not reflected on state and local levels, however. During the last 10 years, the number of local governments restricting smoking has increased from 45 to more than 600. Even anarchic New York City has adopted a comprehensive smoking ordinance that goes into effect this month, for the first time extending smoking restrictions to outdoor areas such as parks and stadiums. "This is where the rest of the world is going," explained Mayor Rudolph Giuliani.

Meanwhile, California withstood an assault on its antismoking law. Proposition 188, heavily backed by the tobacco industry during the November election, would have overturned not only the state measure but local antismoking ordinances as well. "Even though Philip Morris outspent the opposition 20-to-1," says Cathy Leonard, who works for the State Assembly's Committee on Labor and Employment, "Proposition 188 got less than 29 percent of the vote.

Most recently, Maryland has instituted one of the most comprehensive antismoking ordinances in the nation. State health officials had proposed a ban on smoking not only in office buildings, but also in bars, restaurants and convention centers, although Democratic Gov. Parris Glendening has led a compromise effort to allow smoking in bars. At any rate, the Maryland antismoking measure will be the first instituted not by legislators or voters, but by bureaucrats. "Both parties support restrictions on smoking," says Peter Fisher of the Coalition on Smoking or Health, a Washington organization that educates policymakers on tobacco-control topics. "It is a bipartisan issue."

Indeed, cigarette manufacturers, tobacco farmers and smokers are losing the war as well as the battles over smoking. According to the Centers for Disease Control and Prevention, the number of American adults who smoke has decreased by almost half during the last 30 years, from a little more than 42 percent of the population in 1965 to about 25 percent today. Nevertheless, while health officials hope to eradicate smoking altogether, they face formidable financial reality.

Tobacco is a major agricultural **crop** in the United States, especially in the Southeast, with total **farm** sales of \$2.8 billion in 1993. That year, the major **tobacco** companies grossed \$50 billion from **domestic** sales and another \$5.7 billion in foreign sales, reporting more than \$5 billion in net profits. Perhaps more importantly, excise taxes collected on tobacco products, mainly cigarettes, exceed \$13 billion annually, or more than four times the total value of tobacco products raised on the farm. That money supports many government programs. According to a 1992 study by Price Waterhouse, the tobacco industry accounts for more than 680,000 jobs.

In addition, members of Congress, despite their public stands on smoking, are not adverse to tobacco money. According to Common Cause magazine, 73 percent of senators accepted campaign contributions from tobacco companies between 1989 and 1994; 66 percent of congressmen took tobacco money in the last House election. Critics claim this "tainted" money extracts a far bigger price on society. According to the Department of Health and Human Services, tobacco-related illness costs society \$50 billion annually.

While few people deny the hazards of smoking, some researchers claim that the risks are exaggerated and social costs inflated. A 1991 study by the Rand



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Corp. put the net external cost of cigarette smoking at 33 cents per pack; since existing federal, state and local taxes on cigarettes total more than 50 cents per pack, smokers more than pay their own way.

The impact of tobacco on the nation's economy becomes even more smoky when Social Security and other pension programs are factored in. John Shoven, an economist at Stanford University, estimates that the 26 billion packs of cigarettes smoked in 1989 shortened smokers' lives by 3 million years, and that their premature deaths saved \$20,000 per smoker in Social Security benefits alone. The Congressional Research Service, in a report issued March 8, 1994, observed that "smokers' early deaths leave their Social Security and pension contributions unused and available to reduce future financing demands on nonsmokers."

More controversial still is the issue of secondary smoke. The Environmental Protection Agency in 1993 claimed secondary smoke was responsible for up to 3,000 cases of lung cancer annually. But the EPA report has been challenged by a diverse array of credible scientists. EPA performed no original research but relied instead on a survey of 30 other studies, of which only six discerned a statistically significant (but small) effect of secondary smoke on nonsmokers. Of the remaining 24 studies, six actually showed a reduced incidence of illness among those exposed to secondary smoke.

While the Clinton administration and major federal agencies target tobacco for strict regulation, other branches of the national government continue their long-established tradition of supporting prices and allotting production quotas. The Tobacco Institute insists tobacco is not subsidized; strictly speaking, it isn't. But the Rube Goldberg scheme that controls tobacco production, a holdover from the New Deal of the 1930s, is wildly out of step with the free-market agenda now dominant in Congress.

Only people who own "quotas" can legally grow and sell tobacco, and quotas are passed along from generation to generation. A large number of people who inherited tobacco quotas do not actually grow any crop. Currently, there are 380,000 quota holders but only 100,000 tobacco farmers - those farmers pay the quota holders a fee for use.

Tobacco farmers are guaranteed minimum prices through price supports in exchange for limiting production. Most of these subsidy costs are paid by producers and purchasers through market assessments. (Administrative costs of about \$15 million a year are borne by taxpayers.) The sum effect: The price of tobacco stays higher than it would in a free market, while excessive supplies of the crop accumulate in warehouses.

As foreign nations stepped up competition and made it more difficult for the United States to maintain artificially inflated price levels, the domestic tobacco industry lobbied Congress to limit imports of foreign tobacco. Since 1993, any U.S. cigarette maker who uses more than 25 percent of foreign tobacco must pay a penalty. Foreign producers naturally complain that price supports violate the General Agreement on Tariffs and Trade, created specifically to discourage arbitrary barriers to imports and exports. Industry experts worry that when Congress is forced to address this problem, it simply will eliminate price supports.



But federal bureaucracies promote and defend tobacco exports overseas. In recent years, the U.S. trade representative has helped gain access for U.S. tobacco exports to Japan, Taiwan, Thailand and South Korea. China is the biggest plum of all, offering a market of 300 million smokers. In 1992, the United States persuaded China to begin opening its market to cigarettes and several other products by threatening to impose 300 percent tariffs on almost \$4 billion worth of Chinese imports.

The Clinton administration has set up an interagency task force to review policy on tobacco exports. According to spokesman Chris Marcich, the goal is to ensure that health concerns raised by foreign nations about U.S. cigarettes are not a ruse to protect their domestic brands from U.S. competition. "We expect our trading partners to live up to their agreements," Marcich says. "Just as we expect foreign cigarette makers selling their product here to apply warning labels, we will honor their health-related requirements and restrictions."

Perhaps the greatest threat to the tobacco industry emanates not from Congress, state and local governments or even foreign competitors, but from courts of law. During the last four decades, the tobacco industry has attracted more than 300 lawsuits attempting to establish liability for smoking-related illnesses, thus far without success. But 1994 brought an avalanche of litigation, possibly stimulated by stepped-up antismoking activity elsewhere, and several states have joined the fray.

Minnesota, along with Blue Cross / Blue Shield of Minnesota and the law firm of Robins, Kaplan, Miller & Ciresi, is suing the Big Six tobacco companies. The lawsuit differs from others, however; the team is focusing not on the hazardous products sold by tobacco companies, "Florida's taxpayers consistently have to make withdrawals from their wallets to pay for the carnage," says Florida Gov. Lawton Chiles.

Most ambitious yet: A federal judge in New Orleans cleared the way for a gigantic, nationwide class-action suit by a consortium of 60 law firms on behalf of 100 million smokers and former smokers.

According to Michael Pertschuk, codirector of the Advocacy Institute in Washington, tobacco companies spend more than \$600 million on legal fees annually, and the figure is rising. Increasingly, the industry is taking the offensive. Philip Morris filed a \$10 billion suit last year against ABC News after a network program accused the company of adding nicotine to its product to keep smokers addicted. Last summer, several tobacco companies sued the EPA over its report about secondary tobacco smoke.

One further concern has been raised by the new chairman of the House Energy and Commerce subcommittee on health and the environment. "The antismoking people say they don't really want a ban," Rep. Thomas J. Bliley, a Republican from Virginia, tells Insight. "But that would be the logical result of what they are doing. If federal agencies should ban smoking, and the lawyers put the tobacco companies out of business, the result will be a thriving black market on top of the existing black market for illegal drugs. What will be the impact of that on this country? They don't think about that."

\*\*\*\*PUFFING THROUGH THE AGES\*\*\*\*



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The first people to savor tobacco smoke - like the first to eat Chesapeake Bay blue crabs - are lost to history. All that is known for certain is that some Indian tribes in what is now Virginia and the Carolinas were fond of tobacco when the first colonists arrived, and before long the tobacco leaf was making inroads in Europe along with more practical commodities such as potatoes, tomatoes and corn.

Even in those days, attitudes toward tobacco were decidedly mixed. Many enjoyed it. Sir Walter Raleigh had a smoke to calm his nerves on the way to the scaffold. But King James I of England described tobacco as "loathsome to the eye, hateful to the nose, harmful to the brain, dangerous to the lungs." Pope Innocent X excommunicated smokers. None of these injunctions was particularly effective. Today there are an estimated 1 billion smokers around the globe.

In the modern world, media advertising helped portray smoking as a sign of sophistication or masculinity, depending on the target audience. By the 1950s, cigarette ads were a staple of the new television industry, and celebrities - including future President Ronald Reagan - gladly accepted money to endorse cigarettes. To the extent health concerns were a factor, it was in advertising campaigns that suggested doctors preferred certain brands over others. One memorable pitch suggested women would do their health a favor by reaching for a cigarette instead of candy.

A few lonely voices, such as the editors of Reader's Digest, issued bleak warnings about the potential side effects of smoking, but without credible scientific backing they had modest impact on consumer habits. Conscientious parents issued vague cautions to their children that smoking would stunt their growth, a claim generally greeted with ridicule.

The warnings gained credence in 1964 when Surgeon General Luther Terry first branded cigarettes a threat to public health and Congress required warning labels to be printed on each pack. By that time, the statistical link between heavy cigarette smoking and a variety of illnesses - including lung cancer, cardiovascular disease and emphysema - was irrefutable. In particular, the once-rare disease of lung cancer had become common, a phenomenon largely attributable to smoking. In response to growing public pressure, cigarette ads were banned from television and replaced with public-service antismoking messages.

GRAPHIC: Photo (color), They may be pariahs, but smokers pay for their pleasure., By Kozak for Insight

LANGUAGE: ENGLISH

LOAD-DATE: May 24, 1995



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LEVEL 1 - 31 OF 50 STORIES

Copyright 1995 The Denver Post Corporation  
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February 26, 1995 Sunday 2D EDITION

SECTION: PERSPECTIVE; Pg. D-03

LENGTH: 747 words

HEADLINE: Must all proposals be modest?

BYLINE: Jack Kisling

BODY:

Right now, while Congress and most state legislatures are getting tougher on crime, would be a good time for them to get tougher on tobacco by outlawing it. Well, maybe not pipes and cigars and snoose. Pipe smokers are harmless cranks and there aren't enough of them to be a public menace. Cigar smokers are rich guys and snuff dippers are kids and oafs. It wouldn't be smart to persecute the rich, the harmless or the oafish.

But there are still plenty of cigarette smokers left, and criminalizing them is an idea whose time has come. Again.

The first time it came was in the early 1890s, and from then to about 1920 no fewer than 15 states banned the sale of cigarettes, which shows that some Americans never know when they're well off.

At the height of the first war against cigarettes, most of these no-smoking states were in the West and Midwest. The last outpost of decency was Kansas, which repealed cigarette prohibition in 1927.

Now it is time to reinstate it nationwide, and this time, no more Mr. Nice Guy. Along with sale, ban use and possession. Felonize.

Admittedly, this would cause some problems, but none would be insurmountable.

If cigarettes were outlawed, the gnomes of the tobacco industry would have kittens, but they would calm down pretty fast if they were offered a tobacco alternative with equally good growth potential. This could be done by legalizing drugs that are illegal now and turning their production and marketing over to the former tobacco companies.

This would be good for several reasons. Decriminalizing currently banned drugs would relieve crowding in the nation's prisons, but not too soon. By the time prisons now being built are ready for use, the growing ranks of cigarette felons would ensure that the cells wouldn't go to waste. The current prison population is about 1 out of every 145 Americans; this should hold up after the transition or maybe even improve, which would be nice because the more Americans we imprison, the more who won't smoke.

Criminalizing cigarettes would be good for business, too. By allowing tobacco



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merchants to take production of opium, cocaine and marijuana out of the hands of foreigners, it would come to America where it belongs.

**Domestic tobacco farmers** would be happy to switch from **tobacco** to these other **crops**, provided they still get their \$ 275 million annually in government price supports for growing tobacco. This could be done without disturbing the status quo, and the subsidy would stimulate the stoop-labor job market, improving the national employment picture.

In practice, making illegal drugs legal and legal drugs illegal would be so easy that all but the people who can't set their clocks for Daylight Saving Time would be able to make the switch without getting counseling, and the national economy needn't falter at all.

The vast army of drug pushers, for instance, could switch to smokes with no loss of jobs or need for retraining, and the vast army of DEA agents who now hound them could keep right on hounding them without having to learn any new tricks.

With overseas smuggling defunct, all those narcs who now patrol the coastlines could be shifted to the borders of tobacco-producing states, where, instead of having to shoot down airplanes and capture speedboats, the drug agents would only have to chase cars, and so should be able to kill more people for less money than they now spend.

As always happens when the government decides to improve the health and morals of its citizens by enforcing good conduct, some critics will attack the Cigarette Amendment. They will say that two decades of hunting down and jailing dope fiends, at the cost of untold millions of dollars, shows no sign of stamping out or even containing the illicit drug epidemic, which kills far fewer Americans annually than cigarette smoking. Citing this danger, they hammer constantly at the idea of legalizing marijuana.

They're playing right into our hands. When we legalize marijuana they won't have a leg to stand on. Using their argument about killer drugs, we will outlaw cigarettes because they are worse than crack, smack and pot and because we can't just let things slide.

When the war on cigarettes gets up to speed, America will be a lot safer place, but it still won't be perfect, because there will still be sidestream smoke from Canada and Mexico. Maybe we could install big fans.

Jack Kisling's observations on life run every Tuesday, Thursday and Sunday

LOAD-DATE: February 25, 1995



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LEVEL 1 - 35 OF 50 STORIES

Copyright 1994 News & Record (Greensboro, NC)  
 News & Record (Greensboro, NC)

October 11, 1994, Tuesday, ALL EDITIONS

SECTION: BUSINESS, Pg. B5

LENGTH: 336 words

HEADLINE: KENTUCKIAN OPPOSES QUOTA BUY-OUT PLAN

BYLINE: SCOTT SOLOMO, Staff Writer

BODY:

The question of whether to end the federal government's tobacco price support was given a resounding 'no' Monday by U.S. Rep. Scotty Baesler of Kentucky, who said the program is too important to his state's rural economy.

Baesler said he opposes a proposal by U.S. Rep. Charlie Rose, a Fayetteville Democrat, to pay growers \$ 7.50 a pound to give up their federally-assigned tobacco quotas.

Rose's buy-out proposal may be well-suited for flue-cured tobacco growers in North Carolina, Baesler said, but it fails to take into account the many burley farmers in Kentucky who rent quotas from someone else.

In addition, he said, it would devastate feed stores, fertilizer stores and other businesses that support tobacco farmers.

'If you do away with the program then you're basically doing away with tobacco production as we know it here,' said Baesler, a Democrat who attended a meeting on the issue in Charlotte last week.

'I think that would be a tremendous hit on our rural economy.'

Support by Kentucky lawmakers is considered critical to the proposal's success.

Burley tobacco is an \$ 800-million-a-year business in Kentucky, said Baesler, who himself will grow 150,000 pounds this year.

Under Rose's plan, those farmers would be 'out in the cold,' Baesler said.

Rose has suggested paying for the buyout, which would amount to about \$ 16,000 an acre, with an increase in the federal cigarette tax. In North Carolina the estimated cost of such a plan is \$ 4.1 billion, while nationwide it could cost \$ 10 billion.

Rose said he proposed phasing out the price-support system as a way to invigorate sales of **domestic tobacco** and give **farmers** a financial incentive to convert to other **crops**.



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Under the price-support system, the government establishes quotas, and co-ops, with loans from the federal government, buy tobacco that does not receive a bid at auction.

"I don't think on its face it will accomplish what (Rose) wants it to accomplish," Baesler said of the plan.

LOAD-DATE: October 13, 1994



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LEVEL 1 - 44 OF 50 STORIES

Copyright 1993 The San Diego Union-Tribune  
The San Diego Union-Tribune

March 28, 1993, Sunday

SECTION: BUSINESS; Ed. 1,2; Pg. I-2

LENGTH: 958 words

HEADLINE: Future of tobacco going up in smoke;  
Industry

BYLINE: Fek; DALLAS MORNING NEWS

BODY:

For the people who depend on tobacco for their livelihood, these are troubling times.

As talk swirls in Washington of a new assault on smoking, tobacco workers fear for the survival of the farms and factories that pay their bills.

"It looks like it's a losing battle," said Leroy Whitfield, 62, who farms 35 acres of tobacco. "We're being hemmed in from all sides -- taxes and health concerns and new laws."

The Clinton administration is said to be considering increasing the 24-cent federal cigarette tax to as high as \$2 a pack to pay for health-care reforms. Earlier this year, the Environmental Protection Agency blamed second-hand smoke for causing 3,000 cases of lung cancer a year.

And, in a step heavy with symbolism, First Lady Hillary Rodham Clinton banned smoking in the White House.

"The climate is one that causes great concern to the farmer and manufacturer alike," said Thomas Lauria, a spokesman for the Tobacco Institute, the industry's lobbying group. "With talk of excise taxes and smoking bans, all combined with the EPA report, that has people alarmed."

The tobacco industry thrives. Profits are up. Overseas sales are increasing.

But if tobacco once was king, its kingdom has shrunk.

Grown by Indians, traded by colonists and smoked by generations of Americans, tobacco today is losing its once-widespread acceptance in society. The number of U.S. smokers is dropping 3 percent a year. Health experts say smoking causes 434,000 deaths a year and \$65 billion in annual health-care costs.

Nowhere is tobacco's heritage felt more strongly than in North Carolina. It is home to 40,000 of the country's 62,000 growers of flue-cured tobacco, the primary ingredient in cigarettes. "Everyone knows someone who's in tobacco."



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North Carolina lawmakers support the industry, with Sen. Jesse Helms particularly renowned for his fervor. The state's nickel-a-pack cigarette tax is among the nation's lowest, compared to 41 cents in Texas and 51 cents in Massachusetts, the highest.

The levy is so low that many tourists stock up on cigarettes. On Interstate 95, the warehouse-style J R Tobacco of America is a popular stop.

"Just a second ago, I rang up an order for \$1,000," said cashier Sarah Jones, 22. "He was from New York, and he had a whole list of friends and relatives to buy for."

For people who oppose smoking, tobacco is a killer. For supporters, it's a legal product whose harmful effects are questionable.

For the people who grow tobacco, it is a way of life.

They realize that the crop they tend 16 hours a day from April to July is likened to poison. But many feel bound to a tradition that their great-grandparents started a hundred years before the words "cancer" or "heart disease" or "emphysema" appeared on cigarette boxes.

"I know the rest of the country and people right here among us look at the growers as a real villain supplying a product that quote, unquote kills people," said Rick Apple, 35, a fifth-generation tobacco farmer in Brown Summit.

"What I'm saying from my end of it is, I went to the tobacco patch when I was 2 weeks old, and I've been there ever since," Apple said. "I grew up with it. My family's made a living from it. That's all we've ever done."

The economics of tobacco hardly sway its opponents.

Smoking, these critics say, must stop. And that means that tobacco farmers -- like the slave traders and buffalo hunters before them -- must find a way to make money that does not harm others, they say.

"There's another side to the tobacco industry's profit margin on this product," said Joe Marx, a spokesman for The Coalition on Smoking OR Health in Washington, a joint project of the American Heart Association, Lung Association and Cancer Society. "That's the death, disease and health-care bills that every taxpayer foots."

President Clinton cited such concerns when he confirmed last month that he might seek higher cigarette taxes to finance his health-care plans. Spending a ton of money in private insurance and in government tax payments to deal with the health-care problems, occasioned by bad health habits -- and particularly smoking, which is costing us a lot of money," the president said.

Dr. Adam Goldstein, a family physician in Chapel Hill active in anti-smoking efforts, said he empathizes with the tobacco workers who want to continue making a living.

"Just as the patient is addicted to tobacco and you understand that addiction and you try to get them off of it, the state is addicted to the economics of



tobacco," Goldstein said.

The answer, tobacco's foes say, lies in growing something else.

Most tobacco farmers raise other crops as well. Jerry West, president of the state's Tobacco Growers Association, grows tobacco on only 85 acres of his 1,000-acre farm. The rest of his land is given over to cotton, soybean, corn and wheat crops.

But the money is in tobacco. His sliver of land in tobacco gives him most of his profits.

"Tobacco is the most profitable cash **crop** we have in North Carolina," said William Foster, an agricultural economist at North Carolina State University.

**Farmers** also find hope in the growing overseas market, although U.S. **tobacco's** expensive price could hamper exports.

"The **domestic** market is shrinking at an average of 10 billion cigarettes a year, and the international market is growing at 100 billion a year," said farmer Buzz Shackelford, 42, of Hookerton.

Many people who work in tobacco factories worry about job security. Attacks on smoking make them angry.

"I just wish people would leave the tobacco industry alone," said Debra Dervie, 38, a 13-year employee at R.J. Reynolds Tobacco Co.'s plant in Winston-Salem.

GRAPHIC: 2 CHARTS - 2 GRAPHS 1,2. UP IN SMOKE - U.S. cigarette consumption continues

LOAD-DATE: October 21, 1996



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LEVEL 1 - 46 OF 50 STORIES

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March 22, 1993, Monday, Late Edition - Final  
Correction Appended

SECTION: Section A; Page 1; Column 1; National Desk

LENGTH: 1649 words

HEADLINE: Tobacco Country Is Quaking Over Cigarette Tax Proposal

BYLINE: By RONALD SMOTHERS, Special to The New York Times

DATELINE: BURGAW, N.C.

BODY:

The farmers of tobacco country wear worried expressions these days.

Their concern is not their harvest prospects or even the campaigns of anti-smoking groups, whose efforts they have weathered for years. Instead, this time the adversary perceived by the farmers, as well as the tobacco industry's manufacturers and brokers, is a far more potent one: the Clinton Administration.

At issue is the big cigarette-tax increase that the Administration will apparently propose within weeks to help finance the national health-care overhaul undertaken by Hillary Rodham Clinton, one of whose earliest acts as First Lady was to ban smoking in the White House.

20 Cents a Smoke

President Clinton himself has strongly suggested that he will ask Congress for the increase, and some of his advisers have acknowledged that it might be so large as to bring the Federal tax on cigarettes to a total of \$2 a pack, a rise of more than 700 percent over its current level of 24 cents.

To consumers, that would mean a price well above \$4 a pack in some states, and the tobacco industry has already done the math: at 20 cigarettes a pack, many smokers would be faced with an expense of more than 20 cents every time they light up. And that is why tobacco people are worried as never before about the prospect of an ever steeper decline in Americans' cigarette smoking, which has already headed steadily downward in recent years.

Here in this southeastern North Carolina town, Larry Wooten, one of the nation's 62,000 tobacco farmers, summed up the sentiment among growers by saying: "It's a bit like trying to tell your troubles to people. Ninety percent of them listen and don't care, and the other 10 percent are glad you have them. I'm not gloom and doom yet, but I am concerned and understand that this has serious implications."

Just outside Burgaw, another tobacco farmer, Gene Lanier, walked among row after row of plastic-covered seedlings that were almost ready for spring



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planting. "I'm not sleeping much at night," he said. "I've heard these threats before, but not to this extent."

#### The Politics of Tobacco

In the past, the tobacco lobby and Federal lawmakers from the tobacco-growing states of the Southeast have always been able to fend off the notion of imposing enormous taxes on cigarettes as a way of discouraging smoking.

But now a new wind is blowing. First, the new tax proposal is to be tied to a program for which the public has long been clamoring: a vast revision in the nation's health-care system. Second, and perhaps just as important, the tax-increase idea this time is being advanced not solely by anti-smoking groups or a few scattered legislators but by the White House itself, where in the past the tobacco industry could usually count on a largely sympathetic hearing.

As a result, it is far from clear that the industry and its allies in Congress would be able to muster sufficient strength to even trim back a proposal for a big tax increase, much less kill it, particularly if the details of the Administration's overall health-care legislation meet with public approval.

"When it is coming out of the White House, it's going to have a lot more impact," said Kirk Wayne, president of the Tobacco Associates, a growers' group based in Washington. "The climate is different from in the past. It's more serious. It has more impetus."

#### Resistance by the Industry

The industry is already mobilizing. Cigarette makers, for instance, are appealing to a network of perhaps five million "confirmed smokers" across the country, people whose names are maintained on the industry's mailing lists.

"We have had a telephone program in the last weeks reaching out to our customers who are interested in fighting this," said John Boltz, manager of media affairs for the Philip Morris Companies. "We are encouraging them to contact their Congressmen. We are setting up mechanisms to help them better express their feelings."

Similarly, Federal lawmakers from the tobacco states have been meeting among themselves to plot strategy, and they have appealed for help from Howard Paster, the Administration's liaison with Congress.

But their task has not been made any easier by what many people see as the compelling logic behind the tax-increase idea: that any new national health-care system should be financed, at least in part, by high taxes on a product that is almost universally seen as one of the nation's leading health menaces.

#### 'Scaring Us to Death'

"In the past, the Reagan and Bush Administrations were pretty reasonable about taxing tobacco," said Representative Charlie Rose, the North Carolina Democrat who heads the House Agriculture Subcommittee on Peanuts and Tobacco.



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"But I think all of us who represent tobacco states knew that the growing concern about smoking and health was going to someday lead to this type of attitude and reaction in the White House. This talk of \$2 a pack is scaring us to death, and that's putting it mildly."

Indeed, among some of the tobacco-state lawmakers there is already a sense of the inevitable: The hit is coming; the only question now is how badly it will hurt.

In a recent interview, Mr. Rose, whose efforts on behalf of the industry have earned him the nickname Mr. Tobacco, indicated that he and his Southeastern colleagues might be prepared to offer a concession that would have been unthinkable not long ago: a doubling of the tax, to 48 cents a pack, as tobacco's contribution to health care.

### The Stakes Rise

As a result of the Federal budget deal that President George Bush struck with Congress in the fall of 1990, the Government's tax on cigarettes has already risen by 50 percent in little more than two years -- to 20 cents on Jan. 1, 1991, from 16 cents, and to 24 cents two months ago. But that 50 percent was only pennies; this time the stakes are far higher.

The Federal tax is in addition to the states' own cigarette taxes, which vary widely (to a high of the 51 cents imposed by Massachusetts). And although cigarette prices within a given state frequently fluctuate from city to city and even from one retail shop to another, the industry's figures suggest that a \$2 Federal tax would mean average prices at the counter ranging from \$3.43 a pack, in Kentucky, to \$4.21, in Hawaii.

The benefit to the Government would be substantial. Even allowing for a decline in smoking that would result from prices like those, estimates are that annual Federal revenue from cigarette sales might approach \$30 billion, a fivefold increase over the level projected for the current fiscal year. With the Administration's health-care strategy still being developed, it is unclear how large a share of any new health system would be financed by such a sum.

What is clear is that farmers like Mr. Wooten and Mr. Lanier, and the cigarette manufacturers that buy up most of the nation's annual crop of 1.3 billion pounds of tobacco, see a \$2 tax as a particularly onerous threat to hasten a trend in which the number of cigarettes smoked by Americans dropped to 510 billion in 1991, from 640 billion a decade earlier.

### A Very Profitable Industry

To be sure, nobody is yet crying poverty for the tobacco industry, all but a tiny percentage of whose \$47-billion-a-year **domestic** market is attributable to cigarette sales.

Partly because of a Government price-support program whose roots date from the Depression, tobacco is by far the nation's most profitable **crop**, the high cost of growing it notwithstanding. According to the United States Department of Agriculture, **farmers** earned gross average income of \$3,862 for every acre of **tobacco** planted in 1991, compared with \$691 for peanuts, \$380 for cotton, \$262 for feed corn and \$101 for wheat. And most tobacco farmers are small farmers.



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The figures for the manufacturers, four of which now control 95 percent of the American cigarette market, are even more impressive. David Tice, a Dallas-based investment analyst, says that the tobacco operations of those four highly diversified companies -- Philip Morris, RJR Nabisco, American Brands and the Loews Corporation, parent of Lorillard Inc. -- brought a 115 percent pre-tax return on investment in 1991. That is an operating profit of \$11 billion.

Further, the manufacturers' profits have been rising even during this era of progressively less cigarette smoking by Americans. That has been achieved by a rapid rise in cigarette exports and by the manufacturers' domestic price increases, which have been averaging 10 percent a year.

But a \$2 Federal tax would probably change the profit picture entirely, since the manufacturers would be severely limited in their ability to continue imposing increases on top of prices that most consumers, even those who chose to keep smoking, would already consider unreasonable.

In a Word, 'Ludicrous'

And if demand fell badly while retail prices stagnated, the manufacturers would be ever more inclined to increase their imports of relatively cheap foreign tobacco, a practice that is already a source of growing friction between cigarette makers and American tobacco farmers. The downward pressure on prices paid to the farmers would cut heavily into their livelihood and might overwhelm the Federal price-support program.

All of which is why Mr. Lanier, walking his seedling-covered plots near here the other day, had just one word for the idea of a \$2 tax: "Ludicrous."

One of the last best hopes for the industry is that the details of the Administration's health-care plan will prove so unpopular, or so unwieldy, that it will be unable to get through Congress, allowing cigarettes to escape unscathed.

"It's a nice, cozy-sounding idea," Brennan Dawson, a vice president of the industry's Tobacco Institute, said of the linkage between cigarette taxes and health care. "But we won't know for sure until we see a proposal."

CORRECTION-DATE: March 24, 1993, Wednesday

CORRECTION:

A map on Monday showing state excise tax rates for cigarettes misstated the rate in Massachusetts. It is 51 cents a pack.

GRAPHIC: Photo: "I'm not sleeping much at night," said Gene Lanier, a tobacco farmer near Burgaw, N.C., when asked about proposed new cigarette taxes. (The N. Pham for The New York Times) (pg. A1)



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The New York Times, March 22, 1993

Map/Graph: "Cigarettes: Rising Taxes, Slower Consumption" shows state-by-state cigarette excise tax in cents per pack of 20. State cigarette tax is in addition to the 26-cent Federal cigarette tax. Cigarette consumption in the United States is tracked since 1920. (Sources: The Tobacco Institute, Agriculture Department) (pg. A14)

LANGUAGE: ENGLISH

LOAD-DATE: March 22, 1993



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LEVEL 1 - 49 OF 50 STORIES

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April 29, 1992, Wednesday, BC cycle

LENGTH: 732 words

HEADLINE: TOBACCO GROWERS SAY SWITCH TO OTHER CROPS UNLIKELY

BYLINE: By Robert Evans

DATELINE: GENEVA, April 29

BODY:

World tobacco growers, countering a campaign by health and anti-smoking organisations for farmers to switch to other crops, argued on Wednesday that such a change could only add to social problems in developing countries.

And in a report based on a special study of four producer states, the International Tobacco Growers' Association (ITGA) said there was little present prospect of successful crop substitution anywhere in the world.

The ITGA said the study -- surveying Zimbabwe, Malawi, the United States and Canada -- showed "that rapid and widespread substitution of tobacco production is neither possible nor desirable from an economic or social standpoint."

The report, "Tobacco Farming: Sustainable Alternatives?" written by British agricultural economist David Patchett, says alternatives were either far less profitable or would involve large investment in new infra-structures.

Either prospect was unthinkable for most of the world's 33 million tobacco farmers, many of them operating small family businesses that in developing countries make a major contribution to their national economies, the report argues.

David Walder, the Association's chief executive, told a Geneva news conference the ITGA had commissioned the report "to try to bring a degree of objectivity into the debate on tobacco farming and its future."

Anti-tobacco campaigners, he said, believed that the farmers "as if by waving a magic wand could readily switch to other crops and thereby hasten the dawning of a tobacco-free future."

Walder, also a Briton, rejected suggestions the Association was driven more by the wish to maintain a tobacco market than to defend the interests of small farmers in the developing world.

"We do not need to take defensive measures, we are in a rising market," he said, referring to a United Nations Food and Agriculture Organisation report projecting an annual increase of two per cent in tobacco consumption to the year 2000.



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The ITGA, founded in 1984 as the world-wide anti-smoking campaign backed by the World Health Organisation (WHO) was well under way, links growers in Argentina, Brazil, Canada, Malawi, the United States and Zimbabwe.

Several other African and Asian states as well as Italy, a major European producer, are associate members.

The report argues that tobacco growing and processing in developing countries is a vital element in the economy, spreading benefits throughout the population by providing jobs and precious foreign exchange through exports.

"For a large number of people in the developing world, tobacco farming provides them with the means of living their lives with some dignity," Walder told the news conference.

The report said that in Zimbabwe, the world's fourth-largest tobacco exporter, tobacco production occupies eight per cent of the work force and provides 58 per cent of agricultural exports. In Malawi, it accounted for 70 per cent of all exports.

In both countries, the only possible alternatives were fruit, vegetables and cut flowers, it said. But these substitutes in the two land-locked states required rapid and reliable transport, which was not available.

In contrast tobacco, as a high-value but relatively low-volume crop, was able to bear the high transport costs.

Even if transport facilities were improved, the report said, the initial investment required for a switch to horticultural crops and the need to acquire new skills would preclude all but a handful of farmers from changing.

The report said farmers in the United States, the world's major exporter and second producer, were deterred from switching to tomatoes and similar crops that could be more profitable by fears that the extra production could push down prices.

"Additionally, farmers would have to write off a considerable amount of investment in highly specialised machinery given the less labour-intensive nature of tobacco production in North America," the report declared.

In Canada, it said, wide-scale substitution was possible -- driven by declining **domestic** consumption of **tobacco** and the rising costs and climatic disadvantages of production there.

But where **farmers** had dropped **tobacco**, they had largely replaced it with staple field **crops**, and some efforts to switch to high-value alternatives had failed because of problems linked to the creation of an infrastructure for totally new **crops**.



## MEMORANDUM

**TO: TOM FREEDMAN, MARY L. SMITH**

**FROM: DREW HANSEN**

**RE: ASSISTANCE FOR TOBACCO FARMERS**

**DATE: JULY 10, 1997**

### **SUMMARY**

There seem to be four possible policy options for the assistance of tobacco farmers: limiting the use of foreign tobacco in US-produced cigarettes, financial compensation for tobacco farmers, "buying out" the quotas of tobacco farmers, and providing assistance for crop diversification.

#### **1. LIMITING FOREIGN TOBACCO IN U.S. CIGARETTES**

In 1993, Senator Wendell H. Ford and Representative Charles Rose inserted a provision into the budget mandating that American-made cigarettes had to contain at least 75% American-grown tobacco. Industry negotiator J. Phil Carlton has indicated that he is willing to talk about a guarantee that cigarette makers will use a certain amount of domestic tobacco. (1993 *New York Times* article attached)

#### **2. FINANCIAL COMPENSATION FOR TOBACCO FARMERS**

Mr. Carlton has also suggested that the tobacco industry might be willing to consider paying for tobacco crop insurance and the tobacco price-support program's administrative costs if Congress cuts off the funding. (July 4, 1997 AP article attached)

#### **3. QUOTA BUYOUTS**

In 1994, Rep. Rose introduced a bill that would have paid tobacco farmers \$7.50/lb to give up their federally assigned quotas. Rep. Rose said that the price-support system should be phased out as a way to invigorate sales of domestic tobacco and give farmers a financial incentive to convert to other crops. (1994 *News and Record* (Greensboro, NC) article attached)

#### **4. ASSISTANCE FOR CROP DIVERSIFICATION**

S.598 on 3-22-95 and S.804 on 5-15-95, both introduced by Sen. Bradley, would have created a "Tobacco Conversion Trust Fund," supported with revenue from tobacco taxes, to assist farmers to convert from tobacco to other crops. Both bills were referred to the Senate Finance Committee. (Full text of S.598 attached)

it both as a cushion for farmers against higher cigarette taxes and because it complicated the GATT world trade talks.

#### The Health Care Angle

At one point, Mr. Gibbons said to Mr. Rose, according to a transcript of the meeting, 'I didn't realize this has to do with health care.'

'Well, it does,' Mr. Rose replied in the meeting.

'That may never become law,' Mr. Gibbons said in the budget conference. 'But this is going to become law. Wouldn't it be more appropriate to deal with this in the health care legislation rather than something that is not related to health care?'

But in the vote on the tobacco provision, Mr. Gibbons was the only Democrat in opposition.

Already, executives from R. J. Reynolds, which employs more than 11,000 people in the United States, have said they could be forced to move several hundred production jobs overseas within a year after the regulation takes effect. That date has not yet been determined.

Then there are the international trade officials straining to conclude the trade talks. Like Mr. Sutherland, the GATT Director General, they view the domestic content provision as a provocation, almost certain to be rebuffed the way Thailand's was. Back then, one of those leading the charge against Thailand was the Democratic Senator from Kentucky, Mr. Ford.

#### Caption:

Graph: 'Imported Tobacco' tracks annual volume of tobacco imported into the United States since 1985. (Source: Agriculture Department) (pg. D2)

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Access No: 9300014038 ProQuest - The New York Times (R) Ondisc  
Title: PANEL SUPPORTS \$1.25 INCREASE FOR CIGARETTES  
Authors: ROBERT PEAR, Special to The New York Times  
Source: The New York Times, Late Edition - Final  
Date: Wednesday Mar 23, 1994 Sec: A National Desk p: 16  
Length: Long (1091 words) Illus: Photo  
Subjects: MEDICINE & HEALTH; REFORM & REORGANIZATION; HEALTH  
INSURANCE; LAW & LEGISLATION; TAXATION; SMALL BUSINESS;  
TAXATION ; SALES TAX; UNITED STATES  
Names: STARK, PETE (REPR); CLINTON, BILL (PRES); PEAR, ROBERT

Abstract: The Health Subcommittee of the House Ways and Means Committee voted on Mar 22, 1994 to increase the federal tax on cigarettes by \$1.25 a pack as part of a comprehensive bill to guarantee health insurance for all Americans. The panel also voted to impose a new payroll tax of 0.8% of payroll on all employers. The votes came as the subcommittee neared completion on an alternative to President Clinton's health plan proposed by its chairman, Rep Pete Stark (D-CA).

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Title: A CURB ON IMPORTED TOBACCO AIDS FARMS AND PHILIP MORRIS  
Authors: MICHAEL JANOFSKY  
Source: The New York Times,  
Late Edition - Final Correction Appended  
Date: Wednesday Sep 29, 1993 Sec: A Financial Desk p: 1  
Length: Long (1711 words) Illus: Graph  
Subjects: TOBACCO; INTERNATIONAL TRADE & WORLD MARKET; SMOKING; LAW &  
LEGISLATION ; MEDICINE & HEALTH; HEALTH INSURANCE;  
TAXATION; NORTH CAROLINA; KENTUCKY; UNITED STATES ; UNITED  
STATES  
Names: FORD, WENDELL (SEN); ROSE, CHARLES (REPR); CLINTON, BILL  
(PRES)  
Companies: PHILIP MORRIS COMPANIES INC

Abstract: Sens Wendell H. Ford (D-KY) and Charles Rose (D-NC) have rolled a provision into the federal budget bill that will require American-made cigarettes to contain at least 75% American-grown tobacco, which is more than twice the amount now used in some. The regulation would give a boost to Ford's and Rose's home states, which are both big tobacco growers.

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Correction: October 4, 1993, Monday

An article on Wednesday about a law that limits foreign tobacco in American cigarettes misstated the amount to be raised by a new tariff on imported tobacco. The tariff would raise about \$29 million over five years, not \$29 billion.

#### Article Text:

Faced with the likelihood that taxes on cigarettes will soar as part of the Clinton Administration's health care plan, two leading tobacco state lawmakers, worried about declining sales, rolled a little-noticed provision into the Federal budget bill that gives American tobacco farmers -- and the nation's biggest cigarette maker -- a big lift.

In the final, harried days of legislative deal-making over the budget, Senator Wendell H. Ford of Kentucky and Representative Charles Rose of North Carolina, both Democrats from major tobacco growing states, pushed through a regulation that American-made cigarettes must contain at least 75 percent American-grown tobacco. That is more than twice the amount now used in some cigarettes.

As the country's first law regulating tobacco content, it instantly lifted the fortunes of America's troubled tobacco farmers, already squeezed by declining consumption, rising costs and competition from imported tobacco that costs as much as 40 percent less.

It also puts additional cost pressure on cigarette manufacturers who, facing higher excise taxes, must decide whether to pass on to smokers the expense of using more domestic leaf.

#### Could Complicate Trade Talks

And by limiting imports of tobacco, it could further complicate the troubled world trade talks under the General Agreement on Tariffs and Trade. 'This is the poster child of duplicitous trade policy,' Hank Brown, the Republican Senator from Colorado, said of the content rule. He had argued strongly against the measure in the Senate, contending that it would prompt the larger cigarette makers, led by the Philip Morris

Companies, to increase production in overseas plants at the expense of jobs here.

'There will be immediate and severe job loss in the U.S. tobacco manufacturing plants,' said Representative Stephen L. Neal, Democrat of North Carolina, who opposed the regulation. 'There will be trade retaliation. And over the longer term, U.S. tobacco growers will be hurt.'

The law also for the first time places a kind of tariff, in the form of an 'assessment,' on imported tobacco to help finance the Federal tobacco crop subsidy program. The assessment would raise an estimated \$29 billion over five years, which was the main justification for including it in the deficit reduction package.

But critics like Representative Sam M. Gibbons, a Democrat from Florida who is chairman of the House subcommittee on trade, suggested that the new regulation was merely a politically motivated exchange to give lawmakers from tobacco-growing states something for their support on the budget measure when the Federal cigarette tax of 24 cents a pack could quadruple.

### A Link Is Seen

The budget squeaked by both in the Senate and the House by one-vote margins. Among the 34 Democrats from House districts dependent on the tobacco industry, 30 supported the budget package. So did the five Democratic Senators from states in which tobacco is a leading crop -- Kentucky, North Carolina, South Carolina, Tennessee and Virginia.

The White House, Senator Ford and others insisted there was no deal made. But Representative Rose, during a July 28 House-Senate conference committee in which the content provision was approved, acknowledged a clear link between that law and the prospect of using higher cigarette taxes to finance health care.

'Those who are drafting the health care proposals for this country have singled out tobacco for special treatment,' he said. 'And we are working very closely with the White House in an effort to find a middle ground where we can be helpful.'

Or, as Mr. Gibbons said in an interview: 'They're going to tax the hell out of tobacco. This was a kiss-off.'

Representative Rose failed to respond to repeated attempts over a two-week period to reach him for comment.

For years, growers have pushed for a domestic-content law to slow the growth of imported tobacco, the bulk of which has been coming from Brazil, Zimbabwe, Argentina, Thailand and Malawi. Imports more than doubled from 1989 to 1992, according to the Agriculture Department, while domestic tobacco output rose only 26 percent.

### Law Is Divisive

'Imports have been killing us,' said Danny McKinney, chief executive of the Burley Tobacco Growers Cooperative Association in Lexington, Ky. 'The playing field was not level. So the growers sat around and decided what had to be done.'

Yet unlike most issues facing the tobacco industry, including attacks by antismoking groups, which tend to unify all segments, the domestic-content law has been divisive. Philip Morris, which made Senator Ford and Representative Rose its No. 1 and No. 3 recipients of political contributions in the last election campaign, supported the idea.

But the R. J. Reynolds Tobacco Company and other, smaller cigarette makers favored an alternative plan that would have relaxed the regulation for American-made products for export. The regulation, as written, gives Philip Morris a decided advantage because of its ability to shift production offshore to a worldwide network of plants in 26 countries or territories, from where it can satisfy foreign demand. Just this week, Philip Morris announced that it was acquiring a major interest in the

state tobacco operation in Kazakhstan, with plans to produce 20 billion cigarettes a year from there.

Other companies either have more modest international operations or none at all.

For that reason, many tobacco growers say that any law imposing a content regulation on cigarettes made in America to send abroad is unfair. The higher-cost tobacco places farmers at a competitive disadvantage in world markets, where demand for American cigarettes is growing.

Why did the provision that only Philip Morris favored pass Congress?

'Philip Morris got a deal first,' said an executive from a rival tobacco company who spoke on the condition he not be identified. 'Once it was penciled in, it was tough to change.'

Philip Morris declined to discuss the matter. Barry Holt, a spokesman, said that the company would not respond to questions about its position on the content provision or any role it might have played in helping it pass.

Like the farmer groups, the smaller companies recognize the possibility that benefits from the regulation might be short-lived. They contend that companies will eventually move more of their operations offshore to avoid the law or simply reduce domestic production because of the increased costs. Either way, it would eliminate American jobs and reduce the demand for domestic tobacco after the rule takes effect.

#### Warning From One Company

James W. Johnston, the chairman and chief executive of R. J. Reynolds, said in a letter to 3,000 growers in June that a content rule would lower the demand for domestic tobacco in the long run and eventually cost some farmers their jobs. He later warned that the proposal 'will do more harm than good.'

Mr. Johnston declined to be interviewed for this article.

Other objections have come from free trade advocates who view the measure as an excuse by other countries to impose their own laws to restrict imports. When the measure was still under debate in Congress, the ambassadors from several tobacco-producing countries protested. Rubens Ricupero, the former Brazilian Ambassador, recalled that the United States had formally protested before a GATT panel several years ago when Thailand imposed a similar import fee on tobacco.

'The U.S. was successful,' Mr. Ricupero said in an interview. 'The panel decided against Thailand, and Thailand had to change its provision.'

Earlier this month, eight countries -- including Brazil, the leading tobacco exporter to the United States, and Thailand -- filed a formal protest with GATT officials in Geneva. Last week, the United States agreed to respond.

Peter Sutherland, the Director General of GATT, said in an interview last week that any new tariff would be 'extremely dangerous,' with negotiators trying to conclude world trade talks by Dec. 15. He added, 'Within sight of the line, you really have to recognize that if serious disputes are breaking out on specific items, it could have a negative effect.'

A spokeswoman for the United States trade representative, Mickey Kantor, declined to comment.

In an interview, Senator Ford stressed that his primary motivation for pushing the content requirement was to protect the interests of tobacco farmers back home in the face of new cigarette taxes. He said he made his feelings clear in a meeting with Hillary Rodham Clinton as she was gathering information on health care changes. He said he told her, 'The higher the tax, the greater my emotions.'

Rising tobacco imports, he said, have forced 69 percent of the tobacco farmers in Kentucky to take other jobs.

Before the conference members voted for the tobacco content provision, 13 to 8, Mr. Gibbons, the Florida Democrat, said he and others objected to



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102  
 VA Tobacco Farmers-Goode, 450

Tobacco farmers share settlement concerns with congressman

DANVILLE, Va. (AP) After a scorching day in the fields, a group of Southside Virginia tobacco growers met with their congressman to vent their frustrations with the proposed tobacco industry settlement.

"There's a saying that the road to hell is paved with good intentions," J.T. Davis of Nathalie said Thursday. "If we don't get things turned around, this is going to be the road to hell for the tobacco farmers."

U.S. Rep. Virgil Goode promised to work to get protections for farmers included in the settlement as it makes its way through Congress, particularly measures that would keep the price and supplies of tobacco from plummeting.

"Two factors have got to be market stability and price stability," said Goode, a Democrat from Rocky Mount whose district includes most of Virginia's tobacco farms.

"If you destroy the American tobacco grower, you're still going to have cigarettes; people are still going to smoke," Goode said. "It would just transfer production to countries like China and Brazil."

The farmers said they are worried that the \$360 billion settlement will force cigarette companies to cut their losses by buying cheaper foreign-grown tobacco. They also fear that Congress will reduce or eliminate programs that prop up the price and supply of U.S. tobacco.

"We're not getting rich," said Dick Conner of Halifax County. "It's hard work and it's hot."

The farmers said they're also steamed that they were left out of the proposed settlement, which would allocate millions of dollars to help people quit smoking and compensate sporting events and teams for the loss of tobacco sponsors.

"I don't know of anybody more addicted to tobacco than tobacco growers," Davis said.

But C.D. Bryant of Pittsylvania County said, "We're not looking for some big handout."

This year, tobacco is growing on about 8,400 Virginia farms with projected cash receipts of nearly \$200 million, making it Virginia's most important crop economically.

Gov. George Allen announced Wednesday that he had appointed a three-member task force to work with Congress to minimize the damage the tobacco deal could do to Virginia's \$5 billion-a-year tobacco industry.

President Clinton and Congress must approve the settlement tobacco companies reached with the 40 states that sued them to recover smoking-related health costs.

Under the agreement, all states would be reimbursed for their Medicaid expenses for treating victims of tobacco-related illness.

The attorneys general who negotiated the deal said they wanted to protect tobacco growers and tried to write safeguards for them into the deal, but ultimately left that to Congress.

"If anybody in Washington has a heart or a conscience they are going to put something in this for the growers," Davis said.

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KY Tobacco Farmers, Bjt, 0718 (102)  
Farm leaders work for relief proposals

LOUISVILLE, Ky. (AP) There are signs that farmers will come out of the legislative process in better shape than they did under last month's \$368.5 billion tobacco settlement.

Kentucky and North Carolina farm leaders are working on a package of relief proposals. Also, a key tobacco industry negotiator appears supportive of the farmers, and health advocates say they want to protect the growers from sudden economic upheaval.

"I feel very strongly that farmers should not be left out of the deal," David Kessler, former commissioner of the U.S. Food and Drug Administration, said recently. "I think that's a very high priority."

These groups don't necessarily agree, however, on the form aid for farmers should take. The options include compensation for lost income, limits on the amount of foreign-grown tobacco in American cigarettes and a buyout program to encourage farmers to stop growing tobacco.

Economic projections show the cutback in smoking that results from the agreement could translate into more than a 50 million-pound reduction in the use of burley leaf, most of which is grown in Kentucky.

With a selling price close to \$2 a pound, that's a lot of lost money.

But the only thing the deal does for farmers is guarantee that the FDA's enhanced regulatory authority won't extend to tobacco cultivation.

The settlement, however, is far from settled. The agreement must be drafted into legislation, passed by Congress and signed by President Clinton.

A lead industry negotiator, North Carolina lawyer J. Phil Carlton, says he wants to help the farmers.

Carlton, the son of a tobacco farmer and until recently the owner of a tobacco farm, told The Courier-Journal last week that the farmer issue will definitely be on the table as negotiators draft the legislation to submit to Congress.

"We're willing to talk about that," Carlton said of one possibility the growers are interested in: a guarantee that cigarette makers will commit to use a certain amount of domestic tobacco.

The industry, according to Carlton, also is willing to consider paying for tobacco crop insurance and the tobacco price-support program's administrative costs should Congress cut off the funding, as some have proposed.

And public health officials want to see the farmers get help, although their main objective is not compensation.

Instead, the health groups want to use money to entice the farmers out of the tobacco business and out of their longstanding political alliance with the cigarette companies.

Their idea is either to pay farmers to retire their growing quotas or give them money to try alternative crops.

Last month, health group negotiators proposed that the settlement set aside about \$150 million a year mainly for that purpose. But Carlton said he rejected that idea, and it was not included in the settlement. He said the proposal was not comprehensive enough.

One of four interagency panels President Clinton set up to review the agreement will focus on the tobacco industry, including the economic impact on the growers.

Unlike the cigarette makers, the farmers come to the legislative process seemingly unblemished by the controversy and distrust that for decades gripped the smoking issue.

"They've not been willing conspirators. They've been pawns," Indiana Attorney General Jeff Modisett said.

Sen. Wendell Ford of Kentucky has said repeatedly that without protection for the farmers, he won't support implementation of the bill.

Ronny Pryor, chief lobbyist for the Kentucky Farm Bureau, wants farmers compensated for lost sales and quota reductions, and he insists there would be little interest among burley growers in a quota buyout. Tobacco is too lucrative to give up, he said.

But Pryor indicated there is nevertheless room to please both farmers and the anti-smoking side. He suggested the possibility of a compromise that would compensate farmers while also helping them move into alternative crops. "We don't see it as an either-or thing," he said.

LEVEL 1 - 35 OF 50 STORIES

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October 11, 1994, Tuesday, ALL EDITIONS

SECTION: BUSINESS, Pg. B5

LENGTH: 336 words

HEADLINE: KENTUCKIAN OPPOSES QUOTA BUY-OUT PLAN

BYLINE: SCOTT SOLOMO, Staff Writer

## BODY:

The question of whether to end the federal government's tobacco price support was given a resounding 'no' Monday by U.S. Rep. Scotty Baesler of Kentucky, who said the program is too important to his state's rural economy.

Baesler said he opposes a proposal by U.S. Rep. Charlie Rose, a Fayetteville Democrat, to pay growers \$ 7.50 a pound to give up their federally-assigned tobacco quotas.

Rose's buy-out proposal may be well-suited for flue-cured tobacco growers in North Carolina, Baesler said, but it fails to take into account the many burley farmers in Kentucky who rent quotas from someone else.

In addition, he said, it would devastate feed stores, fertilizer stores and other businesses that support tobacco farmers.

'If you do away with the program then you're basically doing away with tobacco production as we know it here,' said Baesler, a Democrat who attended a meeting on the issue in Charlotte last week.

'I think that would be a tremendous hit on our rural economy.'

Support by Kentucky lawmakers is considered critical to the proposal's success.

Burley tobacco is an \$ 800-million-a-year business in Kentucky, said Baesler, who himself will grow 150,000 pounds this year.

Under Rose's plan, those farmers would be 'out in the cold,' Baesler said.

Rose has suggested paying for the buyout, which would amount to about \$ 16,000 an acre, with an increase in the federal cigarette tax. In North Carolina the estimated cost of such a plan is \$ 4.1 billion, while nationwide it could cost \$ 10 billion.

Rose said he proposed phasing out the price-support system as a way to invigorate sales of **domestic tobacco** and give **farmers** a financial incentive to convert to other **crops**.



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Under the price-support system, the government establishes quotas, and co-ops, with loans from the federal government, buy tobacco that does not receive a bid at auction.

'I don't think on its face it will accomplish what (Rose) wants it to accomplish,' Baesler said of the plan.

LOAD-DATE: October 13, 1994



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#### Article Text:

WASHINGTON, March 22 -- Going far beyond President Clinton's request, a Congressional subcommittee voted today to increase the Federal tax on cigarettes by \$1.25 a pack as part of a comprehensive bill to guarantee health insurance for all Americans.

The same panel, the Health Subcommittee of the Ways and Means Committee, also voted to impose a new payroll tax on all employers. The tax would be eight-tenths of 1 percent of payroll. Most of the new revenue would be used to help low-income people and small businesses buy health insurance.

The votes came as the subcommittee neared completion on a slimmed-down alternative to Mr. Clinton's health plan proposed by its chairman, Representative Pete Stark, Democrat of California. The outlook for approval in the 11-member subcommittee is precarious, and even if it is approved its provisions may be dropped, replaced or amended in the legislative process.

But the vote on the tobacco tax is significant. The Ways and Means Committee has primary authority over tax bills, and lawmakers say the tobacco tax is likely to be increased as part of any comprehensive health care bill. The only question, they say, is how big the increase will be.

#### A Tax of \$1.49 a Pack

The Federal tax is now 24 cents a pack. The new Federal tax would be \$1.49 a pack. Mr. Clinton proposed raising the tax 75 cents, to 99 cents a pack.

The vote on the tobacco tax was 6 to 5. Representative Nancy L. Johnson, Republican of Connecticut, joined five Democrats in voting for it. Two Democrats joined three Republicans in opposing it.

None of the four Republicans on the subcommittee are expected to vote for the bill, however. One Democrat on the panel, Representative Sander M. Levin of Michigan, said today that he could not vote for a bill that would increase the payroll tax. 'There should be much greater emphasis on cost containment,' he said.

Another Democrat on the panel, Representative Benjamin L. Cardin of Maryland, said he was also opposed to a new payroll tax. The proposed increase in the payroll tax would raise \$24 billion a year.

The move to raise tobacco taxes follows actions by many Federal agencies, state and local governments and private employers to tighten restrictions on smoking. Congress is considering a separate bill that would ban smoking in public buildings used by 10 or more people a week.

#### Subsidies for Small Businesses

Increasing the tobacco tax by \$1.25 a pack would generate \$16 billion a year in new revenue, the subcommittee said. Of that, \$4 billion would be used for subsidies to businesses with 100 or fewer employees, to help them buy health insurance for their workers. Some of the money would be used to subsidize the insurance premiums of poor people. The money would also be used for assistance to teaching hospitals, for the removal of lead paint in private homes and public housing, for programs to help people stop smoking and for training tobacco farmers to grow other crops.

Thomas Lauria, a spokesman for the Tobacco Institute, a trade association, said the industry is opposed to any increase in the Federal excise tax on tobacco. 'If new revenue is needed for health care reform,' he said, 'we hope Congress will look for broad-based taxes and will not single out any product.'

But Representative Michael A. Andrews, a Texas Democrat who has been trying to raise tobacco taxes for more than a decade, said an increase was needed 'to help pay for health care reform and to offset the costs of tobacco-related illnesses.' He added, 'It costs \$24 billion a year to take

care of people who get sick from smoking.'

Representative Dan Rostenkowski, chairman of the Ways and Means Committee, has told Mr. Stark that the health subcommittee should not be proposing new taxes as part of its health care bill. Mr. Rostenkowski, an Illinois Democrat, contends that taxes should be considered only by the full committee. But Mr. Stark insists that it would be fiscally irresponsible for him to propose new health benefits without recommending a way to pay for them.

Mr. Stark's bill, like President Clinton's, would require all employers to help buy health insurance for their employees. Representative Levin supports such a requirement but says the Government must offer subsidies to small businesses to help them afford coverage. As originally introduced, Mr. Stark's bill contained no such subsidies.

Today's vote on tobacco taxes came a week after the subcommittee killed a proposal by Mr. Andrews to raise the cigarette tax to \$2 a pack.

#### Clinton Welcomes Dissenters

At the Old Executive Office Building, next to the White House, President Clinton gathered about a dozen small business owners and restaurateurs who dissent from the campaigns being waged by their professional organizations against his health care plan.

Among other small-business logos displayed on the blue-curtained backdrop were those of the Burrito Brothers, the Vermont Teddy Bear Company and one from a Fresno, Calif., supply company that read: 'One Call Gets it All: WECO Welding and Paint.'

The view expressed by the companies' owners was heretical within their business organizations. The National Federation of Independent Businesses and the National Restaurant Association have been two of the most outspoken opponents of Mr. Clinton's plan.

#### Welcoming a Helping Hand

But while most of the invited guests acknowledged that the proposal would add to their total health care bills, they said it would be worthwhile because it would allow many to extend health care coverage to all of their employees for the first time.

'The fact is, we will pay more, and we're willing to do that, because we want our employees to be insured,' said Eric Skolar, the owner of the Burrito Brothers, based in Washington.

The federation of independent businesses named the Vermont Teddy Bear Company as its company of the year in 1993, and Mr. Clinton made reference to that honor as its chief operating officer, Spence Putnam, challenged the organization's position. 'I hope they don't take it away from him,' Mr. Clinton said.

White House officials said most of the participants had paid their own way to Washington for the occasion but that the costs of others had been covered by their professional organizations, including the National Association of Retail Druggists.

The association supports Mr. Clinton's plan because it would cover prescription drugs and would help retail pharmacists get discounts like those available to hospitals and health maintenance organizations.

#### Caption:

Photo: About a dozen owners of small businesses who support President Clinton's health care plan met with him yesterday in the Old Executive Office Building. Among them were Brian McCarthy and Mona Castillo. (Paul Hosefros/The New York Times)

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Authors: MICHAEL JANOFISKY  
Source: The New York Times, Late Edition - Final  
Date: Saturday Jun 5, 1993 Sec: 1 Financial Desk p: 37  
Length: Long (1764 words) Illus: Graph, Photo  
Subjects: TAXATION; EXCISE TAXES; FEDERAL TAXES (US); TOBACCO;  
SMOKING; PRICES; INTERNATIONAL TRADE & WORLD MARKET;  
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LABOR; UNEMPLOYMENT & JOB MARKET; MEDICINE & HEALTH;  
CIGARETTES  
Names: CLINTON, BILL (PRES)

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LABOR; UNEMPLOYMENT & JOB MARKET; MEDICINE & HEALTH;  
CIGARETTES  
Names: CLINTON, BILL (PRES)

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#### Article Text:

Never friends, seldom respectful of each other, the tobacco industry and antismoking forces have renewed their hostilities over industry claims that a higher excise tax on tobacco products, as part of the Clinton Administration's health-care plan, would devastate large parts of the economy.

Braced for the current tax of 24 cents a pack to at least double, and possibly amount to more than \$2, tobacco interests predict those levels would cut consumption enough to kill hundreds of thousands of jobs in industries from farming to retailing, close businesses and deprive state and local governments of millions of dollars in taxes.

#### Another Point of View

Yet opponents cite the industry's own behavior of the last 13 years to dispute those arguments. Until April -- when Philip Morris announced price cuts of up to 40 cents a pack on Marlboro, and other cigarette makers followed suit -- the companies had raised prices 33 times, by more than 350 percent, notwithstanding a tripling of the Federal excise tax. Yet

jobs did not disappear at nearly the rate the tobacco interests are now predicting they will.

In fact, the companies have generated higher profits during those years largely by raising prices, importing greater amounts of less expensive foreign tobaccos for discount brands and improving technology.

'The numbers being thrown around by the tobacco industry bear no relation to reality whatsoever,' Matthew Myers, counsel to the Coalition on Smoking or Health in Washington, said. 'In effect, the tobacco manufacturers cloak themselves as white knights, fighting the evil tobacco tax that would attack jobs. What they're not telling people is that their own decision to raise prices, to import increasing amounts of tobacco and to use ever more mechanized equipment has caused the loss of more jobs than could possibly be lost with the levels of increase being talked about.'

#### Black Market

In either case, making cigarettes so much more expensive would likely expand the black market and could lead to increased crime. And such a big increase, if applied at once, could mean that past relationships of price, consumption and jobs no longer apply.

A study by Price Waterhouse for the Tobacco Institute, the industry lobby in Washington, concluded that a 48-cent tax would eliminate 114,117 jobs -- or 5 percent of 2.28 million jobs in the growth, manufacturing and distribution of tobacco products -- and \$3.33 billion in payroll losses. A \$2 increase would cost 776,056 jobs -- or 34 percent -- and \$22.68 billion in compensation. A survey by the Tobacco Merchants Association, an economic information service in Lawrenceville, N.J., was even bleaker.

By comparison, the increase in the price of cigarettes over the last 13 years has caused job losses of only 1.33 percent annually.

Yet the Tobacco Institute projections, the industry points out, do not reflect lower consumption caused by state tax increases on tobacco products. This year alone, 28 states considered increases and three -- New York, North Dakota and New Mexico -- enacted them, bringing the national average of state taxes above 27 cents per pack of cigarettes.

The overall effect could easily drive the price of premium brand cigarettes up by about a third to \$3 a pack from about \$2.20 to \$2.25 now. That prospect is causing all kinds of concerns for businesses that rely heavily on tobacco sales. For example, convenience store operators, which derive almost a quarter of their sales from cigarettes, more than any other product, are being asked by the National Association of Convenience Stores to put their concerns in writing in a major lobbying campaign.

#### Security Concerns

Ron Bane, the owner of a distribution company in South San Francisco, Calif., that serves 12 Western states and four Canadian provinces, said he worries over the additional security measures he would need once new taxes make cigarettes more valuable. Already, he said, one of his trucks delivering cigarettes was hijacked at gunpoint in Canada, where excise taxes have pushed the price of cigarettes to more than \$60 a carton, about twice the current price in America.

Equally worried are the tobacco growing states. Twenty-five House Democrats, mostly from Virginia, North Carolina, South Carolina and Tennessee, wrote to President Clinton in March, saying they would 'find it most difficult' to support a health-care plan that would harm their constituents.

Zane Hedgecock, a 10th-generation tobacco grower in High Point, N.C., said farmers in the area would 'absolutely go out of business, no question about it' if the excise tax were raised.

Farmers' profit margins have declined while the major manufacturers' profits have risen, with Philip Morris's operating income for domestic

tobacco doubling since 1986, to nearly \$5.2 billion last year. Farmers have been squeezed by a combination of rising costs for labor, fertilizers and chemicals, and the relatively stagnant prices of tobacco leaves, depressed by an influx of cheap foreign imports. According to the Tobacco Growers Information Committee in Raleigh, N.C., flue-cured tobacco leaves generated about \$1,200 an acre last year, a drop of 13 percent since 1988; burley tobacco brought \$801 an acre, a 17 percent drop since 1989.

The Tobacco Institute study predicted that excise tax increases of 24 cents, \$1 and \$2 would eliminate 8,140, 27,654 and 55,308 farming jobs, respectively.

#### A Fine Line

'We work on such a fine line of profit, any decline would have a dramatic effect on us,' said Mr. Hedgecock, a 34-year-old farmer who has traced his lineage to William Hitchcock, an Englishman who began growing tobacco in the same area in 1652. Mr. Hedgecock said his greatest fear is that his 4-year-old son, Daniel, would become the first generation of the family not to grow tobacco.

Plant workers in North Carolina and elsewhere are also concerned about jobs. Ray Scannell, the director of research for the Bakery, Confectionery and Tobacco Workers Union in Kensington, Md., predicted that to preserve margins in the face of higher taxes, companies like Philip Morris and R. J. Reynolds might expand operations in countries where manufacturing is cheaper. Since 1990, for example, Philip Morris has opened or improved plants in eastern Germany, Hungary, Russia and Lithuania.

Attrition also worries the sales and distribution sectors.

'If consumption falls by any significant degree, we would see 20 to 30 percent out of business almost overnight,' said David E. Strachan, the executive vice president of the American Wholesale Marketers Association, whose membership includes 1,400 distributors and 300 retailers.

Some wholesalers, he said, would grow short of funds if retailers, their sales falling, could not pay promptly, forcing middlemen to carry less inventory, borrow more money or both.

Many retailers, like small-store owners in Massachusetts near the state line with New Hampshire, are already suffering. Massachusetts has a cigarette excise tax of 51 cents a pack, the second highest in the country after New York's, which became 56 cents on June 1; New Hampshire's excise tax is only 25 cents.

#### Other Sales Affected

'Massachusetts is not only losing tobacco sales, but sales of everything else,' said Cathy Flaherty, executive director of the New England Convenience Store Association. 'People are not stopping to buy cigarettes, so they're not buying bread, gum or candy, either.'

Those kinds of disparities in cigarette prices are also fueling a growing black market, particularly in Canada, where excise taxes have increased 600 percent since 1980. By last year one of every six packs sold in Canada was contraband, up from one in nine the year before, according to a recent report for the Canadian Tobacco Manufacturers Council.

An increase in excise taxes in the United States might stem some of the smuggling, but could invite other types of crime. Robert Parker, president of the Canadian council, said shootings, robberies, hijackings and murders related to cigarettes have increased in Canada. 'We have not collected statistics that are reliable,' he said, 'but police agencies describe this as the fastest-growing type of urban crime in Canada.'

Indeed, law enforcement authorities in the United States say black market cigarette sales have grown in high-tax states. One officer described an emergence of 'mom-and-pop organized crime groups,' but not yet an escalation of violence.

'The reason is simple,' said the officer, John Meenaghan, the agent in

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Title: ON TOBACCO ROAD, A GENERATION GAP; YOUNG FARMERS ARE  
QUESTIONING THE FUTURE OF A LUCRATIVE CROP  
Authors: GLENN COLLINS  
Source: The New York Times, Late Edition - Final  
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Subjects: SMOKING & TOBACCO; INTERNATIONAL TRADE & WORLD MARKET;  
PRICES (FARES, FEES & RATES); INDUSTRY PROFILES; NORTH  
CAROLINA

Abstract: There are deep, generational divisions among tobacco farmers. Younger farmers, according to a 1995 study, hold more negative views of the industry, and are more concerned than older farmers that their way of life is coming to an end.

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Article Text:

BROWNS SUMMIT, N.C. -- Luke Lambeth eyed the neat rows of tobacco shoots on his 150-acre farm and ventured an up-to-the-minute assessment of job security on Tobacco Road. 'This life was a lot more stable for my grandfather,' he said. 'But now you have to think ahead. Because you just don't know how long the tobacco is going to go.'

To be sure, the rangy, 32-year-old Mr. Lambeth, a third-generation tobacco farmer, is optimistic about 1996. Despite a late start after a harsh winter and a wet spring, he hopes to have a good crop and fetch an equally good price.

But 'you never know when your livelihood won't be there,' he said. 'That's my worry. Because I owe everything I own to tobacco.'

Tobacco farmers have often been stereotyped as a monolithic group. But there are deep, generational divisions in tobacco country, where farmers have recently transplanted seedlings from their greenhouse beds into rows in the ground.

The older farmers in this tradition-rich industry seem able to shrug off the assaults on the \$45-billion-a-year domestic tobacco business -- the intense regulatory scrutiny; the threat posed by cheap tobacco from Brazil and Africa; the attacks by lawyers and health groups, Congress and the White House.

Younger farmers, though, are more concerned than ever that their way of life is coming to an end -- and with it the fast-vanishing family-farm ethos that was a cornerstone of the rural South.

'There is a generation gap,' said Ferrell Guillory, a fellow at MDC Inc., a nonprofit economic development research company in Chapel Hill, N.C. It is the younger farmers, he said, who 'are going to have to manage the transition to the future.'

The dismissal last week of a giant class action lawsuit that threatened the solvency of cigarette companies barely lightened the load. 'We don't hear much good news, so that court case is an encouragement,' Mr. Lambeth said. 'But it's not going to make any difference to us growers. The companies will still only pay us a nickel a pack for our tobacco.'

That kind of skepticism is just one of the traits that distinguishes

the younger generation. According to the first national study of tobacco farmers, younger and older farmers hold quite different views about the long-term uncertainties of tobacco, the need to diversify their crops, and the trustworthiness of American cigarette manufacturers.

The generation gap is especially apparent here in the state that grows two-thirds of the nation's flue-cured tobacco, the heat-dried, golden-hued 'bright leaf' that is the aromatic heart of American cigarettes.

Younger farmers in North Carolina 'view tobacco as a way of life that may not continue, but they want to stay in it as long as they can,' said Rick Apple, 38, who grows 100 acres of tobacco with his father.

But older farmers take a less fatalistic view. 'There has been some fight or other about tobacco all my life, and I'm not about to throw in the towel,' said Bruce L. Flye, at 63 a third-generation farmer in Battleboro, N.C. Mr. Flye makes half his income from 85 acres of tobacco and the rest from 1,115 acres of cotton, corn and peanuts. 'Tobacco has been here since the 1600's and will continue to be,' he said.

'But younger farmers are really concerned,' said Mr. Flye, president of the Flue-Cured Tobacco Cooperative Stabilization Corporation, a grower-supported group that helps administer the Federal quota program that prevents boom-and-bust price swings for growers. 'The young ones have more anxiety. Their future is at stake.'

Indeed, about two-thirds of tobacco farmers under 45 say they have undertaken money-making ventures to supplement tobacco growing, according to the tobacco study, conducted by the Bowman Gray School of Medicine at Wake Forest University in Winston-Salem, and the Center for Sustainable Systems in Berea, Ky., a nonprofit organization that studies rural development.

The study, of 992 farmers in six states, was completed last fall. The ages of those surveyed ranged from 20 to 70, and a quarter were under 50.

'I have learned that there is life after tobacco,' said Mr. Apple, whose ancestors began tobacco farming in the 1700's. Breaking with tradition in 1980, Mr. Apple began growing flowers and ornamental trees in a single greenhouse, grossing \$4,000. Now, along with his tobacco, Mr. Apple and 20 year-round employees grow flowers and ornamentals in 30 greenhouses and on 12 acres. His thriving garden center, A & A Plants Inc. in Browns Summit, had 1995 sales of \$1.2 million.

According to the study, almost twice as many younger farmers as older ones have increased their income from crops like flowers and ornamentals in the last five years. Indeed, tobacco farmers are supplementing their income with everything from alfalfa-growing to chicken-raising and hog-farming.

But Richard Jenks, whose family has been tobacco farming 'since the beginning of time,' was one of the older farmers who insisted that diversification was no panacea.

'We have about 10 acres of strawberries in our community,' Mr. Jenks said of Apex, N.C., where the 59-year-old farmer grows 16 acres of tobacco. 'But if everyone starts planting, you won't be able to give those strawberries away.'

He added, 'Tobacco, it's the only thing pays the bills.' Farmers' profits last year amounted to as much as \$1,000 an acre for tobacco, far more than crops like corn (\$150 an acre), soybeans (\$100) or peanuts (\$300).

As a state, North Carolina is far ahead of its tobacco farmers: it long ago diversified and enjoys a 4 percent unemployment rate despite the loss of thousands of tobacco- and textile-related jobs. As recently as 1964, tobacco was a keystone of the economy, accounting for 46 percent of the state's cash farm income. By 1994, that had declined to 15 percent.

Despite that decline, tobacco pumps about \$1 billion a year into North Carolina's economy. Farmers here still call it the golden leaf, a single, high-value crop that keeps them on the farm.

But 'tobacco is in a slow-motion decline,' said Mr. Guillory, the economic development researcher. Despite near-record profits for cigarette makers, the tobacco sector of the farm economy continues to shrink along with domestic cigarette consumption. Nationwide, 674 million acres were planted in 1995, down 10 percent from 1993.

'If farmers knew the international realities, they'd want to get out of the business,' said Dr. David G. Altman, an associate professor at Bowman Gray who helped conduct the study of farmer attitudes. 'They are living in the past, and the floor is going to drop out beneath them.'

That prospect might cheer the growing anti-tobacco forces in a nation where, by Food and Drug Administration estimates, smoking causes 420,000 premature deaths a year. Anti-smoking groups have excoriated them, but tobacco farmers, young and old alike, are overwhelmingly united in wanting to carry on their agricultural heritage.

'It is a legal crop,' said Steve Troxler, a 44-year-old farmer who grows 110 acres of tobacco in Browns Summit. 'Yet people call us names, they label us pushers. That upsets me more than anything else, because tobacco was a thing of pride. The government gets a lot from tobacco taxes, and tobacco produces plenty of employment.'

He added: 'The attacks on us are based on ignorance and hypocrisy. They don't know who we are. They don't know how hard we work. Tobacco farmers are the pillars of the community. This is the greatest life style in the world for raising kids and keeping a family together.'

Still, the study found that younger farmers are more willing than their elders to acknowledge smoking's risks: 64 percent of the farmers under 45 agreed that smoking is harmful, versus just 47 percent of the farmers over 65.

Nor is their intergenerational agreement among the farmers about the good will of America's cigarette makers. These days, the study found, older farmers like Mr. Flye are more likely to be sympathetic. They 'supported us, buying the surplus,' he said, referring to a crisis in 1994, when the companies agreed to buy hundreds of millions of pounds of surplus tobacco that had accumulated under the Federal price stabilization program, which celebrates its 50th anniversary June 1.

But 80 percent of the farmers said the purchase of foreign tobacco by American manufacturers was a grave threat to their future, and younger farmers are more outspoken on the subject. Mr. Apple, a former president of the North Carolina Tobacco Growers Association, called the companies' actions 'shameful.'

He added: 'They continually raise their wholesale prices, but they have told the growers to lower their prices. They gave Brazil and Zimbabwe the technological know-how to produce better tobacco because it will increase the supply and lower the price.'

Mr. Lambeth, whose license-plate holder reads 'Tobacco Pays My Bills,' went further: 'The companies want to keep us where we barely get by. The only time they go down on their knees to us is when they want us to go to Washington. And that's not right.'

The companies are used to criticism from farmers. 'Sometimes growers are mad at us, but we are all in this thing together,' said Nat Walker, a spokesman for the R. J. Reynolds Tobacco Company. He spoke of the growers' and manufacturers' 'interdependence,' and cited the company's \$1 billion investment in its modern Tobaccoville plant near Winston-Salem as evidence of the company's commitment to North Carolina. Tobacco companies, however, 'have to be competitive offshore, and price has an impact on that.'

For now, once again, as tobacco reaches toward the North Carolina sun, the future seems only as long as a season. Mr. Troxler, when asked about what lies ahead, is wary. 'In all probability this summer will be too something,' he said. 'Too hot. Or too wet. Or too dry. Or too cold. Because something always comes along.'

But Mr. Flye, when asked to prognosticate, summoned up the optimism of

his years. Tobacco 'is a weed, a golden weed,' he said, in a phrase certain to dismay the tobacco critics, 'and weeds are hard to kill.'

Caption:

Photo: Luke Lambeth, 32, a tobacco farmer from Browns Summit, N.C., whose license-plate holder reads 'Tobacco Pays My Bills,' worries about his farm's future and is critical of cigarette manufacturers. (Rob Amberg/Impact Visuals for The New York Times) (pg. D1)

Graph: 'Different Outlooks'

A study found that younger tobacco farmers hold more negative views of their industry than do their elders. Graph outlines some of the survey's questions and responses. (Sources: Bowman Gray School of Medicine, Wake Forest University; Center for Sustainable Systems, Berea, Ky.) (pg. D1)

Map/Graph: 'A Declining Industry' tracks U.S. share of worldwide tobacco production from 1970 through 1995. Map shows areas in the U.S. where tobacco is farmed. (Source: Department of Agriculture) (pg. D4)

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Article Text:

WASHINGTON, April 1 -- Representative Jack Brooks, the Texas Democrat who heads the House Judiciary Committee, ran a recent committee meeting with expansive waves of a big cigar.

Smoking may be politically incorrect in many places, but Capitol Hill is not one of them.

Still, while Congress seems to be the tobacco industry's last redoubt, with millions of tobacco dollars flowing into assorted Congressional campaigns, the industry's influence seems to be waning even there. Fewer Americans are smoking, the total acreage on which tobacco is grown is shrinking and the number of influential older Southern members of Congress is dwindling, giving seniority to younger members who can't stand the smoke. They have been able to ban smoking in most public places on the House side; the Senate still has no policy on smoking.

'What has changed in the last several years is the ascendance into power of younger Congressmen in key positions who are firmly on the side of the anti-smoking lobby,' said Representative Charlie Rose, Democrat of North Carolina, longtime friend of tobacco and one of the few remaining Southerners who heads a committee. 'The deck chairs have shifted.'

For the first time, anti-tobacco House members, who in 1989 formed the Congressional Task Force on Tobacco and Health, outnumber reliable pro-tobacco colleagues. The group has 58 members; the tobacco states have an estimated 50.

Representative Richard A. Gephardt, the House majority leader, who received \$22,000 in tobacco money in 1991-92, the second-highest amount in the House, indicated in an interview that change was at hand. 'There is a steady consensus that smoking is harmful and second-hand smoke is harmful, and members are getting that from their constituents,' he said. 'I ultimately believe that public opinion runs this place.'

Mr. Gephardt, a Missouri Democrat, said he opposed banning smoking altogether because that would put tobacco farmers out of work, create a black market for cigarettes and increase imports. But, he said, 'ultimately, we may be talking about how to reposition farmers.' A small portion of a proposed \$1.25-a-pack tax increase would be set aside to retrain tobacco farmers to grow other crops.

But the fledgling anti-smoking drive in Congress has yet to translate into major legislation. 'The public is way ahead of the Congress on this,' said Representative Richard J. Durbin, an Illinois Democrat who has helped lead the pack against tobacco interests.

The industry has faced tough times before and still has many friends in Congress. A test of its allies' strength will come later this year as Congress wrestles with health care. Tobacco-state Democrats are threatening to hold up any health plan if it keeps the \$1.25 tax increase passed by a House Ways and Means subcommittee last week.

As 22 members wrote in a letter to Representative Dan Rostenkowski, the chairman of the Ways and Means Committee, 'Should this tax remain in the legislation, we will be unable to support it.' A senior Congressional aide who is allied with the tobacco lobby said that Mr. Rostenkowski was saying there was no way to dodge a tax but that he also indicated he would try to spread to other products.

Reliable Tactic Fails

One of the industry's most successful tactics is to squelch legislation at the subcommittee level. That didn't work last week with the proposed tax increase, but it did succeed, at least temporarily, with a bill to ban smoking in virtually every building in the country except

private homes.

Twice last week, Representative Henry A. Waxman, the California Democrat who sponsored the legislation, had to cancel a subcommittee vote at the last minute when the single-vote margin of support he had wrung from recalcitrant members vanished in down-to-the-wire lobbying. Tobacco lobbyists were aided by restaurant and bar owners fearful of losing business if their patrons could not smoke. Mr. Waxman, chairman of the subcommittee on health and the environment, said he would have to compromise to pass the bill.

An examination of campaign financial reports of the 26 subcommittee members shows that 9 of the 16 Democrats and 8 of the 10 Republicans received money from at least one of the four major tobacco interests in 1993.

The Republicans on the subcommittee include Thomas J. Bliley Jr. of Virginia, who received \$37,741 from tobacco interests, more than anyone else in the House in the last campaign. As the panel's ranking Republican, Mr. Bliley is often able to keep his party's votes in line on crucial matters, which tobacco is in Virginia.

#### A Pro-Tobacco Vote

The Democrats are not in lock step in favor of the Waxman bill. Opponents include Representative Edolphus Towns, a Brooklyn Democrat who is known in his district as 'the Marlboro Man' for the big donations he gets from tobacco companies.

In an interview, Mr. Towns said he had voted with the tobacco industry because his father was a tobacco sharecropper in North Carolina and Mr. Towns grew up picking tobacco and taking it to auction. 'If it had not been for tobacco,' he said, 'we would not have made a living at all.'

Despite the success of the pro-tobacco forces against the Waxman bill, few people dispute that the future for tobacco, at least in the United States, is downhill and that the industry's power in Congress will diminish.

Last week alone, besides the subcommittee approval of the excise tax, Congress passed and President Clinton signed into law a bill that outlaws smoking in schools and in Head Start and community health centers. The Occupational Safety and Health Administration announced a regulation to ban smoking in the workplace, a move that would apply to at least six million job sites. In addition, the House approved a measure requiring that all schools that receive Federal drug-prevention money teach students the dangers of tobacco.

Even the normally assertive Tobacco Institute has little to say when asked whether the industry's influence in Congress is waning. 'I don't know,' said Brennan Dawson, a vice president of the Institute. 'I don't think there's an answer to that question.'

At its peak in 1963, annual per-capita consumption of cigarettes in America was 4,345. The Surgeon General's report linking cigarettes to cancer came out the next year, and smoking has declined ever since. By 1993, the per-capita consumption dropped to 2,540. About one-fourth of Americans over 18 years old smoke now, down from about 45 percent in the mid-1950's.

For years, tobacco's friends in Congress were able to protect the industry from important adverse legislation. As negative health reports began accumulating 30 years ago, it was the regulatory agencies, not Congress, that began exercising control.

The Federal Trade Commission proposed labels warning that cigarette smoking was 'dangerous to health and may cause death from cancer and other diseases.' Congress eventually passed a weaker label and prevented the commission and states from any other regulation of tobacco advertising. Not until 1971 were cigarette commercials taken off the air. The warning labels, now more pointed, still do not mention death or addiction. In

1990, Congress banned smoking on domestic airline flights.

With President's Clinton election, the pace of anti-smoking activity accelerated. The Clintons are nonsmokers who banned smoking in the White House before they moved in and set a new tone in Washington.

Caption:

Photo: Representative Jack Brooks bucking the nonsmoking trend.  
(Stephen Crowley/The New York Times)

Chart: 'PLAYERS: Who Received the Most'

These are the top five recipients of tobacco money in the House and top five in the Senate from January 1991 to December 1992, the latest complete election cycle for which figures are available from the Federal Election Commission.

#### HOUSE

Thomas J. Bliley Jr., Virginia (Republican)  
\$37,741

Richard A. Gephardt, Missouri (Democrat)  
\$22,098

Dan Rostenkowski, Illinois (Democrat)  
\$22,000

Rick Boucher, Virginia (Democrat)  
\$21,350

Edolphus Towns, New York (Democrat)  
\$21,245

#### SENATE

Wendell H. Ford, Kentucky (Democrat)  
\$61,898

Daniel R. Coats, Indiana (Republican)  
\$52,000

Mitch McConnell, Kentucky (Republican)  
\$47,250

Jesse Helms, North Carolina (Republican)  
\$44,500

Bob Dole, Kansas (Republican)  
\$41,500

(pg. 8)